Unemployment Insurance Review

January–February 1966

In this issue . . .

Appraisal of State UI Reserve Funds
The Economy in 1965
Unemployment Insurance Trends in 1965
A Training Unit for the Nonmonetary Determination Function

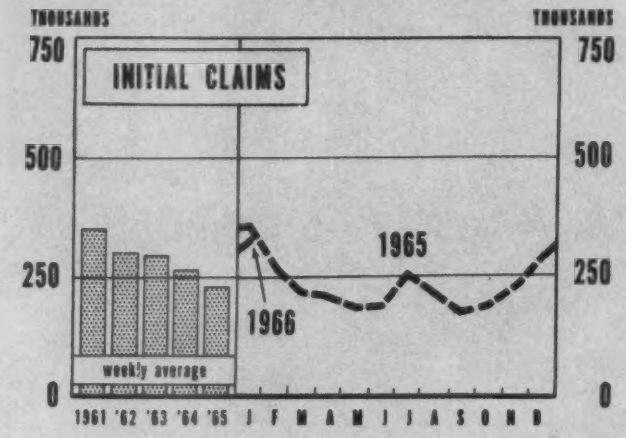
Also . . .

The President's Economic Report to Congress

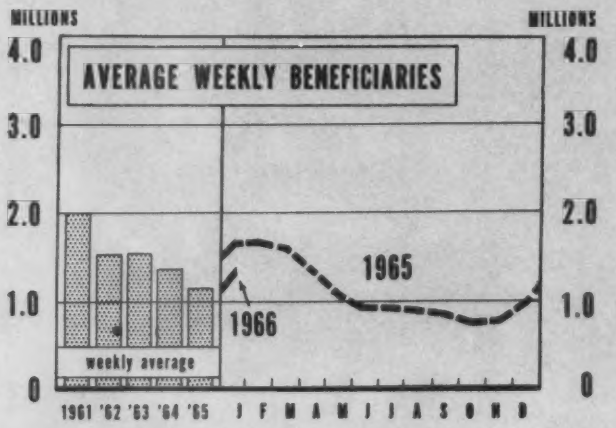
UNITED STATES DEPARTMENT OF LABOR MANPOWER ADMINISTRATION

UNEMPLOYMENT INSURANCE ACTIVITIES

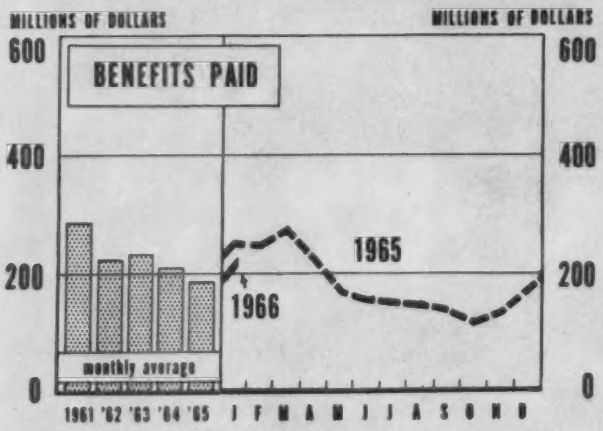
UNDER STATE PROGRAMS



The number of jobless workers filing initial claims under State programs rose by 39,500 in January to a weekly average of 329,100—25,500 below a year earlier, and the lowest January volume in 10 years.



A weekly average of 1.3 million beneficiaries received payments in January under regular State unemployment insurance programs—34 percent more than in December 1965, but 20 percent less than the January 1965 average.



During January $212.7 million in benefits was paid to insured unemployed workers under regular State programs, compared with $172.1 million in December 1965 and $252.1 million in January 1965.

Unemployment Insurance Review

January–February 1966
Vol. 3 Nos. 1 and 2

U.S. DEPARTMENT OF LABOR
W. Willard Wirtz, Secretary

MANPOWER ADMINISTRATION
Stanley H. Ruttenberg, Administrator

BUREAU OF EMPLOYMENT SECURITY
Robert C. Goodwin, Administrator

UNEMPLOYMENT INSURANCE SERVICE
William U. Norwood, Jr., Director

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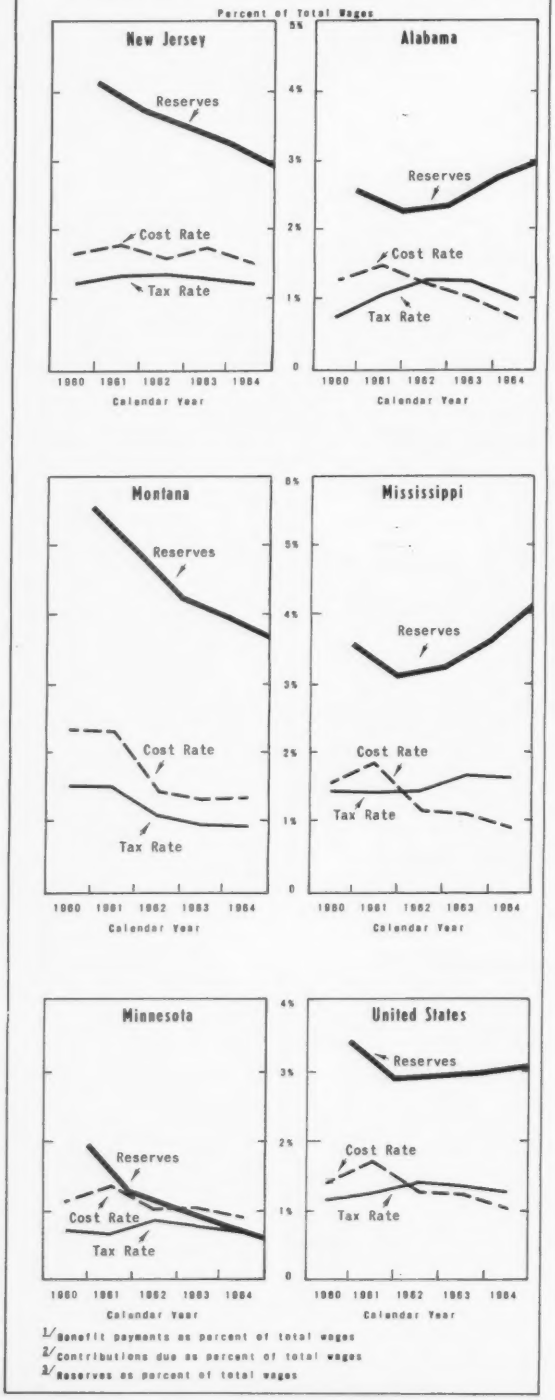
Chart 1.

Average Annual Benefit Cost Rates[1] and Employer Tax Rates,[2] and Year-Ending Reserve Ratios,[3] Selected States and United States Average, 1960-1964



[1] Benefit payments as percent of total wages
[2] Contributions due as percent of total wages
[3] Reserves as percent of total wages

Appraisal of State

*Paschal C. Zecca**

THE current sustained economic expansion, which has just completed its fifth year, has had a fundamental impact on the financing of the unemployment insurance system. One of the direct results has been that, with the growth of jobs and the resulting increase in aggregate wages, unemployment insurance tax revenue has grown despite a slightly lower average employer tax rate. Another has been reduction in the level of insured unemployment and substantial decreases in benefit payments. Measured in terms of the net effect of all financial transactions (benefit payments, tax collections, interest credits, and loan transactions), sizable increases in reserve funds have occurred. By June 30, 1965, unemployment insurance reserves of the 52 States (including the District of Columbia and Puerto Rico) had increased from a year earlier—the fourth successive yearly rise—by 13.2 percent to $7.6 billion, representing an estimated 5.5 percent of taxable wages and 3.2 percent of total wages paid in covered employment for the fiscal year.

Unemployment insurance tax collections reached the alltime high of $3.05 billion in fiscal year 1965, even though for calendar year 1964 the national average employer tax rate was 2.21 percent of taxable wages as compared with 2.31 in 1963 and 2.36 in 1962. (See tables 1 and 2.)

Adequacy of Reserve Funds

The financial status of the unemployment insurance program revolves around the question of whether State reserve funds are adequate to meet the costs of benefit payments under any economic conditions. Unless the solvency of reserve funds is assured even during recessions, the ability of the

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UI Reserve Funds

June 30, 1965

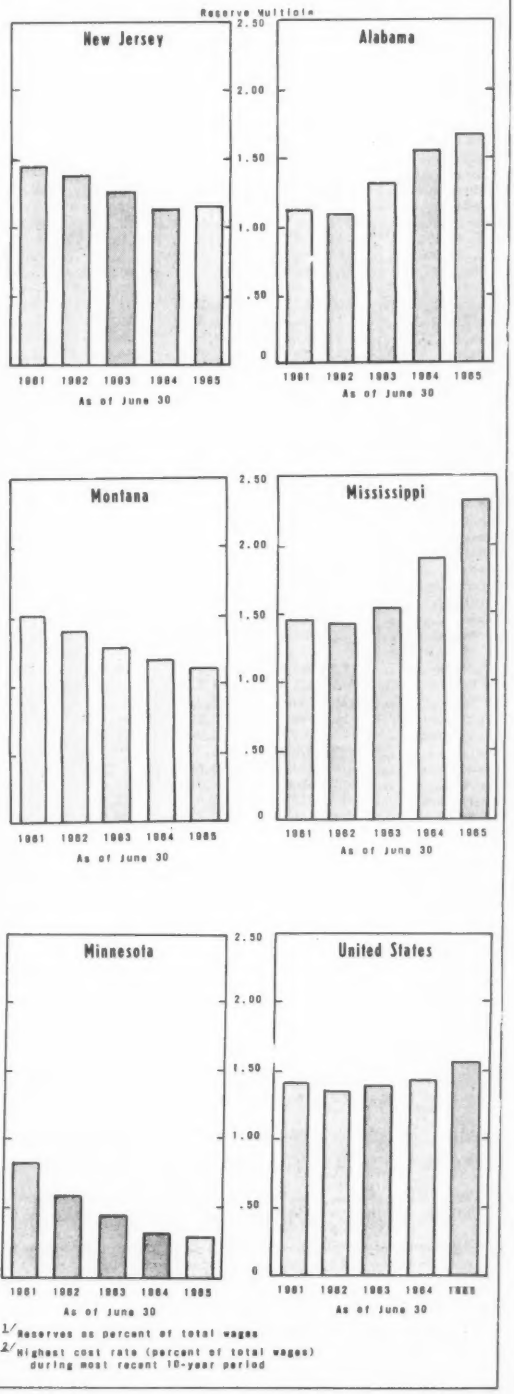
program to provide unemployed workers with income protection would be in jeopardy.

The unemployment insurance program actually consists of 52 different State systems operating under very broad Federal requirements. The pattern of arrangements to finance unemployment insurance has some marked differences, reflecting in part the differing economic structures in the various States as well as the State prerogatives expressed in the legislative process. These, however, do not in any way modify a fundamental concept of sound financing of unemployment insurance—that is, to achieve over a period of time a balance between income and outgo. This allows for costs of high and of low benefit years to be averaged out to a level that avoids highly fluctuating tax rates. A corollary principle is that reserve funds must always be sufficient to meet future costs if solvency of funds is to be assured even during recession periods when benefit payments are heavy.

A measure of reserve fund adequacy (in terms of whether a State has enough reserves to meet the cost of a future recession period similar in severity to the worst experienced in recent years) is provided by what is termed the reserve multiple. This is the current reserve ratio (reserves as a percent of total wages) expressed as a multiple of the highest 12-month cost rate (benefit payments also as a percent of total wages) during the previous decade. On this basis, State reserves ($7.6 billion on June 30, 1965, representing 3.2 percent of total wages in that fiscal year) amounted to 1.56 times the highest cost rate (2.05 percent) during the previous 10-year period. A more meaningful view of State reserve fund adequacy, however, is obtained from a consideration of the reserve multiple of the individual States. Since, in recent history, the costs of a full recession pe-

Chart 2.

Reserve Multiple: Reserve Ratio[1] As a Multiple of Highest 12-Month Benefit Cost Rate,[2] Selected States and United States Average, June 30, 1961-1965



[1] Reserves as percent of total wages

[2] Highest cost rate (percent of total wages) during most recent 10-year period

TABLE 1. SUMMARY OF FINANCIAL ACTIVITIES OF STATE UNEMPLOYMENT INSURANCE FUNDS, FISCAL YEAR 1965

[In thousands]

State	Available reserve fund as of June 30, 1964 1/	Revenue during year				Disbursements during year				Available reserve fund as of June 30, 1965 1/
		Total revenue	Contributions collected 2/	Interest earned	Transfers to State accounts 3/	Total disbursements	Benefits paid	Penalties and interest 4/	Transfers out of State accounts 5/	
United States...	$6,754,087	$3,301,961	$3,045,892	$243,750	$12,319	$2,413,028	$2,302,825	$8,791	$101,412	$7,643,029
Alabama.....	75,796	30,968	28,086	2,797	85	20,440	15,855	9	4,576	86,324
Alaska.....	7,001	9,558	9,477	81	--	5,003	5,003	--	--	11,557
Arizona.....	66,004	15,039	12,724	2,290	25	16,339	16,339	--	--	64,705
Arkansas.....	28,221	14,835	13,809	989	37	14,876	13,226	4	1,646	28,181
California.....	636,304	528,233	503,732	22,235	2,266	541,122	541,100	--	22	623,415
Colorado.....	52,098	18,976	17,030	1,946	--	14,030	14,003	--	27	57,044
Connecticut.....	171,251	58,636	52,369	6,202	65	41,007	40,983	24	--	188,880
Delaware.....	16,712	10,425	9,774	650	1	5,432	5,432	--	--	21,704
Dist. of Col....	62,754	10,380	8,010	2,185	185	9,597	9,597	--	--	63,538
Florida.....	147,917	46,367	40,712	5,483	172	21,999	21,660	33	306	172,286
Georgia.....	163,185	38,288	32,181	6,030	77	17,114	17,066	11	37	184,359
Hawaii.....	16,678	11,231	10,574	640	17	7,162	7,162	--	--	20,746
Idaho.....	25,322	9,739	8,790	949	--	6,732	6,560	--	172	28,329
Illinois.....	442,021	162,238	144,996	16,679	563	96,860	96,815	45	--	507,399
Indiana.....	151,126	50,369	44,476	5,659	234	28,247	27,487	--	760	173,248
Iowa.....	107,721	14,098	10,202	3,837	59	8,939	8,939	--	--	112,879
Kansas.....	59,505	17,615	15,292	2,121	202	15,947	15,929	18	--	61,173
Kentucky.....	104,141	31,245	27,441	3,804	--	21,048	21,048	--	--	114,339
Louisiana.....	105,378	37,331	33,282	3,916	133	24,136	24,126	10	--	118,579
Maine.....	26,799	11,951	10,880	1,030	41	7,367	7,367	--	--	31,382
Maryland.....	134,482	64,697	59,539	5,152	6	36,787	30,456	7	6,324	162,392
Massachusetts...	176,780	141,539	134,870	6,626	43	117,160	117,160	--	--	201,160
Michigan.....	356,094	192,484	181,155	11,304	25	72,823	64,691	8,132	--	475,756
Minnesota.....	19,493	31,273	30,088	698	487	31,251	31,204	36	11	19,515
Mississippi.....	42,348	20,920	19,139	1,701	80	8,827	8,827	--	--	54,442
Missouri.....	208,669	51,135	43,185	7,594	356	33,916	33,916	--	--	225,888
Montana.....	18,800	5,986	5,304	659	23	6,560	6,557	3	--	18,226
Nebraska.....	39,274	9,812	8,318	1,418	76	8,375	8,236	139	--	40,711
Nevada.....	26,752	12,482	11,490	992	--	10,433	10,433	--	--	28,801
New Hampshire...	23,906	8,468	7,553	887	28	5,138	5,135	3	--	27,237
New Jersey.....	279,925	145,377	135,495	9,882	--	133,172	133,172	--	--	292,129
New Mexico.....	34,302	7,829	6,592	1,211	26	7,869	7,869	--	--	34,262
New York.....	1,157,733	488,316	444,510	40,865	2,941	429,026	382,638	66	46,322	1,217,024
North Carolina..	203,168	52,057	44,577	7,480	--	29,479	29,479	--	--	225,746
North Dakota....	5,463	5,808	5,581	227	--	5,776	5,776	--	--	5,495
Ohio.....	154,477	218,707	210,713	7,706	288	81,831	81,830	1	--	291,353
Oklahoma.....	41,357	18,804	17,286	1,518	--	14,481	14,481	--	--	45,679
Oregon.....	73,484	37,540	34,467	2,876	197	23,767	23,765	2	--	87,257
Pennsylvania....	175,722	308,915	303,414	5,059	442	169,951	131,635	36	38,280	314,686
Puerto Rico.....	52,416	20,888	19,041	1,794	53	17,546	17,413	133	--	55,759
Rhode Island....	42,537	22,483	20,889	1,594	--	14,748	12,771	--	1,977	50,272
South Carolina..	81,815	22,044	18,987	3,002	55	12,802	12,802	--	--	91,057
South Dakota....	14,213	2,756	2,251	505	--	2,664	2,664	--	--	14,305
Tennessee.....	76,897	42,562	39,476	2,976	110	25,144	25,093	--	51	94,316
Texas.....	229,285	65,363	55,744	8,194	1,425	52,334	52,325	--	9	242,314
Utah.....	37,360	11,186	9,874	1,302	10	13,037	13,023	14	--	35,508
Vermont.....	5,745	5,299	5,078	221	--	4,684	4,680	4	--	6,360
Virginia.....	127,700	25,519	20,829	4,690	--	11,069	11,069	--	--	142,149
Washington.....	195,832	60,874	53,780	6,947	147	53,907	53,875	32	--	202,799
West Virginia...	56,707	15,559	13,508	2,030	21	12,840	12,811	29	--	59,427
Wisconsin.....	189,492	52,080	43,921	6,841	1,318	39,341	38,449	--	892	202,231
Wyoming.....	5,923	5,677	5,402	275	--	2,895	2,895	--	--	8,705

1/ Represents sum of balances at end of month in States' clearing account and benefit-payment account, and in State Unemployment Trust Fund Account in the U. S. Treasury; State Unemployment Trust Fund balance in U. S. Treasury includes amounts credited to States' accounts in the Unemployment Trust Fund under the provisions of the Employment Security Administrative Financing Act of 1954 as amended. Includes outstanding advances from Federal account in Unemployment Trust Fund as follows:

June 30, 1964		June 30, 1965	
Alaska.....	$8,089,293	Alaska.....	$7,960,524
Michigan.....	$97,829,926	Michigan.....	$89,487,298
Pennsylvania...	$99,449,000	Pennsylvania...	$86,831,000

2/ Data represent contributions, penalties, and interest from employers, and contributions from employees in three States (Alabama, Alaska, and New Jersey) which tax workers. Adjusted for refunds and for dishonored contribution checks.

3/ Includes amount of reimbursements from the Federal Extended Compensation Account (TEC Act 1961), Manpower Development Training Act of 1962, and the Temporary Unemployment Compensation Act of 1958 to the Unemployment Trust Fund Account.

4/ Represents penalties and interest collected from delinquent employers and transferred to States' special administrative fund.

5/ Includes funds withdrawn from the Unemployment Trust Fund for administration and for restoration of funds made available to the States in 1958 under the Temporary Unemployment Compensation Act of 1958 (TUC).

TABLE 2. SELECTED FINANCIAL DATA ON STATE UNEMPLOYMENT INSURANCE PROGRAMS, FISCAL YEARS 1964 AND 1965

State	Tax base $3,000 except as shown, with effective dates[1]	Cost rate: Benefits as a percent of--				Reserve ratio: Funds available as of June 30, as a percent of--				Highest consecutive 12-month cost rate during last 10-year period as of June 30 (based on total wages)		Reserve ratio as a multiple of highest consecutive 12-month cost rate during last 10-year period as of June 30 (based on total wages)	
		Taxable wages[1]		Total wages		Taxable wages[1]		Total wages					
		1965[2]	1964	1965[2]	1964	1965[2]	1964	1965[2]	1964	1965[2][3]	1964	1965[2]	1964
United States		1.69	1.97	.96	1.15	5.61	5.03	3.20	2.94		2.05	1.56	1.43
Alabama		.96	1.33	.59	.85	5.25	4.71	3.23	3.01		1.93	1.67	1.56
Alaska	$7,200 (1/60)	1.95	2.53	1.59	2.10	4/4.51	4/2.98	4/3.67	4/2.48		4.33	.85	.57
Arizona	$3,600 (1/65)	1.89	1.48	1.09	.87	7.49	7.71	4.32	4.54	1.09	1.08	3.96	4.20
Arkansas		1.51	1.46	1.05	1.05	3.22	3.26	2.24	2.34		1.76	1.27	1.33
California	$3,800 (1/62)	3.25	2.97	1.97	1.85	3.75	3.84	2.27	2.40		2.26	1.00	1.06
Colorado		1.22	1.24	.68	.71	4.95	4.52	2.77	2.58		1.26	2.20	2.05
Connecticut		1.69	1.97	.88	1.05	7.79	7.09	4.04	3.80		2.87	1.41	1.32
Delaware	$3,600 (1/55)	1.18	1.71	.66	.98	4.70	3.69	2.62	2.11		1.60	1.64	1.32
Dist. of Col.		1.16	1.29	.63	.72	7.67	7.66	4.14	4.27		.77	5.38	5.55
Florida		.70	.85	.43	.54	5.58	4.89	3.42	3.10		1.13	3.03	2.74
Georgia		.70	.90	.44	.58	7.60	6.86	4.76	4.46		1.59	2.99	2.81
Hawaii	$4,200 (1/65)	1.48	1.87	.99	1.33	4.28	3.41	2.88	2.43		1.85	1.56	1.31
Idaho	$3,600 (1/63)	1.71	2.32	1.17	1.62	7.40	6.73	5.06	4.70		2.24	2.26	2.10
Illinois		1.14	1.53	.58	.80	5.98	5.27	3.03	2.76		1.72	1.76	1.60
Indiana		.76	1.05	.41	.57	4.81	4.28	2.56	2.34		1.73	1.48	1.35
Iowa		.67	.80	.37	.47	8.41	8.06	4.73	4.68		.97	4.88	4.82
Kansas		1.52	1.57	.86	.92	5.82	5.69	3.32	3.34		1.37	2.42	2.44
Kentucky		1.49	1.86	.89	1.14	8.11	7.43	4.83	4.56		2.77	1.74	1.65
Louisiana		1.39	1.59	.81	.95	6.82	6.22	3.97	3.73		1.95	2.04	1.91
Maine		1.30	1.79	.84	1.19	5.52	4.76	3.58	3.17		2.84	1.26	1.12
Maryland		1.38	1.68	.79	.98	7.37	6.20	4.20	3.64		2.19	1.92	1.66
Massachusetts	$3,600 (1/62)	2.33	2.77	1.46	1.78	4.00	3.54	2.50	2.27		2.06	1.21	1.10
Michigan	$3,600 (4/63)	.95	1.21	.52	.69	4/6.99	4/5.30	4/3.81	4/3.00		3.69	1.03	.81
Minnesota		1.49	1.85	.80	1.02	.93	.93	.50	.52		1.70	.29	.31
Mississippi		1.05	1.54	.73	1.10	6.48	5.16	4.50	3.67		1.93	2.33	1.90
Missouri		1.13	1.30	.61	.73	7.52	6.97	4.08	3.90		1.26	3.24	3.10
Montana		1.92	2.17	1.19	1.37	5.34	5.53	3.32	3.50		3.03	1.10	1.16
Nebraska		1.19	1.33	.70	.80	5.87	5.67	3.46	3.43		.98	3.53	3.50
Nevada	$3,800 (4/65)	2.22	1.94	1.41	1.28	6.13	5.70	3.89	3.75		2.75	1.41	1.36
New Hampshire		1.15	1.75	.72	1.14	6.10	5.37	3.83	3.50		1.83	2.09	1.91
New Jersey		2.62	3.17	1.34	1.68	5.74	5.54	2.95	2.93		2.63	1.12	1.11
New Mexico		1.58	1.66	.94	1.02	6.88	6.94	4.10	4.25		1.64	2.50	2.59
New York		2.42	2.70	1.25	1.44	7.71	7.35	3.98	3.91		2.18	1.83	1.79
North Carolina		1.03	1.32	.69	.91	7.87	7.22	5.29	5.02		1.82	2.91	2.76
North Dakota		2.59	2.74	1.62	1.73	2.47	2.62	1.54	1.65		1.86	.83	.89
Ohio		1.09	1.70	.55	.89	3.86	2.07	1.96	1.08		2.44	.80	.44
Oklahoma		1.25	1.38	.73	.83	3.94	3.58	2.29	2.14		1.34	1.71	1.60
Oregon	$3,600 (1/65)	1.55	1.63	1.03	1.13	5.69	4.81	3.79	3.33		2.85	1.33	1.17
Pennsylvania	$3,600 (1/64)	1.34	2.33	.82	1.38	4/3.20	4/1.94	4/1.97	4/1.15		3.02	.65	.38
Puerto Rico 5/		2.70	1.87	2.22	1.57	8.64	8.65	7.10	7.28	2.26	1.92	3.14	3.79
Rhode Island	$3,600 (1/56)	1.67	2.10	1.13	1.46	6.57	5.62	4.45	3.92		2.97	1.50	1.32
South Carolina		.96	1.22	.65	.87	6.82	6.22	4.63	4.40		1.36	3.40	3.24
South Dakota		1.22	1.60	.75	1.01	6.55	6.43	4.03	4.04		1.04	3.88	3.88
Tennessee	$3,300 (1/63)	1.12	1.36	.74	.93	4.22	3.51	2.78	2.38		2.18	1.28	1.09
Texas		.92	1.09	.53	.65	4.25	4.09	2.47	2.44		.98	2.52	2.49
Utah	$4,200 (1/64)	1.86	1.83	1.30	1.13	5.08	6.00	3.54	3.72		1.38	2.57	2.70
Vermont	$3,600 (1/64)	1.84	2.82	1.30	1.89	2.50	2.48	1.76	1.66		2.17	.81	.76
Virginia		.48	.61	.29	.39	6.14	5.61	3.78	3.58		.97	3.90	3.69
Washington		2.74	3.25	1.46	1.77	10.31	9.95	5.51	5.42		2.20	2.50	2.46
West Virginia	$3,600 (1/62)	1.16	1.43	.73	.92	5.37	5.16	3.36	3.33		2.63	1.28	1.27
Wisconsin		1.43	1.82	.76	.99	7.53	7.14	3.98	3.88		1.82	2.19	2.13
Wyoming		1.47	1.62	.90	1.00	4.42	3.00	2.71	1.86		2.44	1.11	.76

1/ Taxable wages are those portions of the aggregate wages in covered employment which are subject to State unemployment insurance taxes. The taxable wage base is the first $3,000 of a worker's annual earnings in all States except 16.

2/ Due to a 6-month lag in reporting wages, reserve ratios and cost rates for June 30, 1965, have, as their base, wages for the prior calendar year.

3/ No change in high cost rate since December 31, 1964, unless otherwise indicated.

4/ The reserve on which this ratio is based includes the amount advanced from the Federal Unemployment Account and not repaid. See table 1, footnote 1.

5/ Puerto Rico covered under Federal Unemployment Tax Act, January 1, 1961.

riod approximated 1.5 times the costs in the worst 12 consecutive months of such period, a reserve multiple of 1.5 has been considered to indicate the minimum adequate reserve level necessary to meet the full benefit cost of a recession. On June 30, 1965, 20 States had a multiple of less than 1.5. Six of these States had a multiple of less than 1.0 (Alaska, Minnesota, North Dakota, Ohio, Pennsylvania, and Vermont).

The 10-year high cost rate used in deriving the reserve multiple changes only when it is exceeded by a new high or is dropped because it no longer falls within the specified 10-year period. The high cost rate, therefore, while significantly affecting the level of the reserve multiple, is not affected by short-term variations. Most of the short-term reserve fluctuations are due to changes in the current reserve ratio (dollar reserves as a percent of aggregate wages), which in turn is largely affected by the level of current tax collections and benefit payments. (The items involved in accounting for reserves are shown in table 1.)

The net effect of tax collections and benefit payments on reserve levels and the reserve multiple for the fiscal year is shown in table 3. In some cases, although an increase in tax collections was combined with a decrease in benefit payments, the reserve level and the reserve multiple decreased. In Montana, for example, the increase in fiscal year 1965 of 1 percent in tax collections and decrease of 11 percent in benefit payments did not produce a net accretion to reserve funds, which dropped by $573,969—the excess of total disbursements over total revenues.

To illustrate how tax collections (via the tax rate) and benefit payments (as indicated by the benefit cost rate) affect the reserve fund level and fund solvency (measured by the reserve multiple), data are presented in two charts for five selected States and for the United States total, covering the period 1961–65. The impact of a long-sustained lag of the tax rate behind the cost rate on reserves (chart 1) and on fund solvency (chart 2) is clearly indicated in three States (Minnesota, Montana, and New Jersey). The resulting downward trend in the reserve multiple for these States during the period 1961–65 was quite marked. In Montana the reserve multiple dropped from 1.50 to 1.10, in Minnesota from 0.81 to 0.29, and in New Jersey from 1.41 to 1.12.

Two other States selected for comparison, Alabama and Mississippi, improved their fund solvency after 1961 when the average annual tax rate began, first, to catch up with the average cost rate and, then, to exceed it substantially. The effect of these movements of the tax rate and the cost rate was to increase reserve levels rather sharply beginning in 1962. The improvement in fund solvency was also quite substantial as indicated by the increase in the reserve multiple for the period 1962–65, in Alabama from 1.09 to 1.67 and in Mississippi from 1.43 to 2.33.

The reserve multiple criterion is a gage of reserve strength and is, therefore, an important element but not the sole guide for evaluating the financial status of a State unemployment insur-

TABLE 3. STATE RESERVE RATIO[1] AS A MULTIPLE OF HIGHEST 12-MONTH BENEFIT COST RATE[2] DURING THE PRECEDING 10-YEAR PERIOD, AND PERCENT CHANGES IN DOLLAR RESERVES, TAX COLLECTIONS, AND BENEFIT PAYMENTS, FISCAL YEARS 1964–1965

STATE	Reserve ratio as a multiple of highest 12-month benefit cost rate as of June 30, 1964	Percent changes from fiscal years 1964 to 1965			Reserve ratio as a multiple of highest 12-month benefit cost rate as of June 30, 1965
		Reserves	Tax collections	Benefit payments	
Minnesota	.31	(4/)	+ 2	- 19	.29
Pennsylvania	3/ .38	3/ + 79	+ 12	- 38	3/ .65
Ohio	.44	+ 89	+ 20	- 36	.80
Alaska	3/ .57	3/ + 65	+ 19	- 16	3/ .85
Vermont	.76	+ 11	+ 26	- 29	.81
Wyoming	.76	+ 47	- 10	- 9	1.11
Michigan	3/ .81	3/ + 34	- 4	- 21	3/ 1.03
North Dakota	.89	+ 1	+ 10	+ 1	.83
California	1.06	- 2	+ 1	+ 10	1.00
Tennessee	1.09	+ 23	(4/)	- 16	1.28
Massachusetts	1.10	+ 14	+ 6	- 15	1.21
New Jersey	1.11	+ 4	+ 1	- 17	1.12
Maine	1.12	+ 17	- 8	- 27	1.26
Montana	1.16	- 3	+ 1	- 11	1.10
Oregon	1.17	+ 19	- 10	- 5	1.33
West Virginia	1.27	+ 5	- 41	- 19	1.28
Hawaii	1.31	+ 24	+ 13	- 22	1.56
Connecticut	1.32	+ 10	+ 2	- 14	1.41
Delaware	1.32	+ 30	- 5	- 30	1.64
Rhode Island	1.32	+ 18	+ 4	- 20	1.50
Arkansas	1.33	(4/)	+ 10	+ 5	1.27
Indiana	1.35	+ 15	(4/)	- 26	1.48
Nevada	1.36	+ 8	- 9	+ 15	1.41
U. S. AVERAGE	1.43	+ 13	(4/)	- 13	1.56

STATE	Reserve ratio as a multiple of highest 12-month benefit cost rate as of June 30, 1964	Percent changes from fiscal years 1964 to 1965			Reserve ratio as a multiple of highest 12-month benefit cost rate as of June 30, 1965
		Reserves	Tax collections	Benefit payments	
Alabama	1.56	+ 14	- 19	- 26	1.67
Illinois	1.60	+ 15	- 14	- 24	1.76
Oklahoma	1.60	+ 10	- 13	- 10	1.71
Kentucky	1.65	+ 10	- 2	- 19	1.74
Maryland	1.66	+ 21	- 10	- 16	1.92
New York	1.79	+ 5	- 5	- 10	1.83
Mississippi	1.90	+ 29	+ 2	- 30	2.33
Louisiana	1.91	+ 13	+ 3	- 10	2.04
New Hampshire	1.91	+ 14	+ 5	- 34	2.09
Colorado	2.05	+ 10	(4/)	- 2	2.20
Idaho	2.10	+ 12	+ 5	- 25	2.26
Wisconsin	2.13	+ 7	+ 5	- 20	2.19
Kansas	2.44	+ 3	+ 9	- 3	2.42
Washington	2.46	+ 4	+ 1	- 16	2.50
Texas	2.49	+ 6	+ 7	- 14	2.52
New Mexico	2.59	(4/)	+ 2	- 4	2.50
Utah	2.70	- 5	- 1	+ 14	2.57
Florida	2.74	+ 17	- 1	- 16	3.03
North Carolina	2.76	+ 11	+ 2	- 20	2.91
Georgia	2.81	+ 13	+ 2	- 20	2.99
Missouri	3.10	+ 8	(4/)	- 13	3.24
South Carolina	3.24	+ 11	+ 4	- 21	3.40
Nebraska	3.50	+ 4	- 8	- 11	3.53
Virginia	3.69	+ 11	- 18	- 21	3.90
Puerto Rico 5/	3.79	+ 6	+ 9	+ 54	3.14
South Dakota	3.88	+ 1	- 9	- 25	3.88
Arizona 5/	4.20	- 2	- 1	+ 29	3.96
Iowa	4.82	+ 5	- 6	- 17	4.88
Dist. of Col.	5.55	+ 1	+ 7	- 9	5.38

1/ Reserves as percent of total wages.
2/ Benefits as percent of total wages.
3/ The reserve includes the amount advanced from the Federal Unemployment Account and not repaid. See table 1, footnote 1.
4/ Less than 0.05 percent.
5/ Only two States experienced a change (increase) in the highest 12-month benefit cost rate during fiscal year 1965, as shown in table 2--Arizona and Puerto Rico. The remaining 50 States had no change, and, therefore, their reserve multiple (reserve ratio ÷ highest cost rate) as between June 30, 1964 and June 30, 1965, moved upward (or downward) solely because their reserve ratio moved upward (or downward).

ance system. A study of recession costs indicated that a reserve equal to 1.5 times the highest 12-month cost rate in the most recent decade provides a minimum adequate level for meeting potential future costs. Although future recession costs may vary for different States because of changing conditions, States that have had a multiple substantially below 1.5 over the years, with little or no improvement, are clearly running the danger of not meeting their future recession benefit costs. Under such circumstances, those State systems can be said to be underfinanced.

Status of the Loan Fund

The Federal Unemployment Account, which is the source of non-interest-bearing advances to States with low reserve funds, had a cash balance of $153,848,966 on June 30, 1965—nearly $69 million higher than the balance at the end of the previous year. This increase resulted from (1) repayment of $21,089,397 in loan indebtedness incurred by three States; (2) interest earnings of $11,522,498 on the total assets of the loan fund; and (3) an excess of $36,205,636 in Federal taxes collected above administrative costs during fiscal year 1965.

No State has had to borrow from the loan fund since April 1959. The total amount initially advanced to the States was $233,765,000, and total repayments through June 30, 1965, amounted to $49,486,178, leaving a balance of $184,278,822 in advances still outstanding. Up to June 30, 1965, Alaska, with an initial indebtedness of $8,765,000, had repaid $804,476; Michigan had repaid $23,512,702 of its $113 million advance; and Pennsylvania, $25,169,000 of its $112 million advance.

The Economy in 1965

*Charles Kubinski**

THE American economy boomed in 1965 with nearly all broad measures of activity showing impressive gains. Previous records toppled, and the absence of significant imbalances provided evidence of the economy's basic health underlying the continuing upswing which has just completed its fifth consecutive year. The advance in total output and sales during the year was uninterrupted, but the pace was somewhat irregular. In the early months increases were unusually large as the economy recovered from the delaying effects of an automobile strike in late 1964. Gains were moderate in the spring months but stepped up markedly after midyear under the impetus of sharply rising capital outlays, the cut in excise taxes, the increase in social security payments, and an acceleration in Viet Nam defense expenditures.

Among the industries, the outstanding performance was in transportation equipment; the auto sector set production and sales records almost every month, and in doing so provided heavy demand for steel. As a result manaufacturers rapidly disposed of their heavy inventories of steel stockpiled in early 1965 as a hedge against a threatened steel strike, and the steel industry broke the 1964 production record.

Vigorous economic activity in 1965 led to increased employment and a reduction of unemployment. Total civilian employment averaged 72.2 million per month, a gain of 1.8 million over the 1964 figure. Approximately 750,000 more adult women were employed; one-half million additional adult men found jobs; and one-half million

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more teenagers were working. The rate of unemployment (seasonally adjusted) trended downward throughout the year, falling from a high of 5.0 percent in February to 4.1 percent in December. For the entire year the unemployment rate averaged 4.6 percent, compared with 5.2 percent in 1964 and 5.7 in 1963. The jobless rates were still high for nonwhites and teenagers. Toward the end of the year labor shortages were not uncommon in some occupations and industries.

Business Activities

Gross national product rose by nearly $48 billion, or 7.5 percent, to a total of $676.3 billion—one of the largest year-to-year advances on record. Demand increased in most final markets and was especially strong for business fixed investment and consumption expenditures, notably durable goods. Despite the large increase in demand, prices were up by only 1.75 percent—slightly more than the advance in 1964 and other recent years. The physical volume of production rose by 5.5 percent, compared with a 1964 gain of 5 percent, and was considerably above the postwar annual average growth of 3.5 percent.

Within the year the largest increases in GNP came in the first and fourth quarters, although advances in the other quarters were also sizable. The unusually large increase of $16.5 billion in the first quarter largely reflected the strong recovery of auto production and sales from the 1964 fourth quarter auto strikes, while a rise of $15.7 billion in the final quarter of 1965 stemmed from an acceleration in defense spending superimposed upon continuing large gains in consumer expenditures and business fixed investment.

For the year as a whole most major GNP components showed substantial gains. The largest absolute rise—$30.2 billion in personal consumption expenditures—accounted for two-thirds of the total advance in GNP. Spending for services moved up by $12.1 billion; outlays for durables increased by $6.3 billion, and nondurables expenditures rose by $11.5 billion. Gross private domestic investment showed the sharpest percentage rise, advancing by nearly $13 billion, or 13.8 percent, to $105.7 billion. Within this component, outlays for producers' durable equipment and nonresidential housing rose strongly, but expenditures for residential housing changed little from 1964.

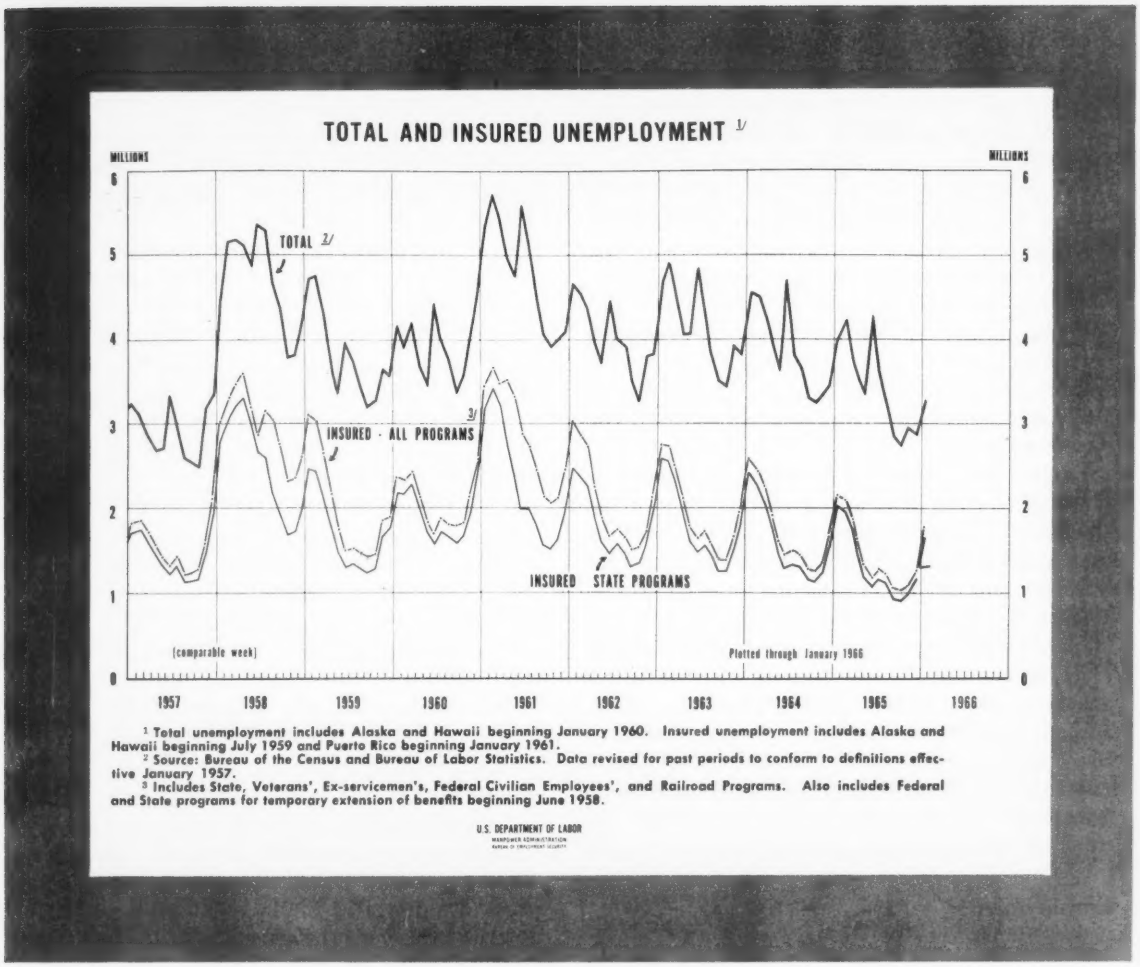
Government purchases rose to $135 billion from $128.4 billion in 1964, with most of the increase occurring in State and local government. Defense spending by the Federal Government at $49.9 billion was unchanged from that of 1964; however, expenditures in the latter part of the year showed substantial growth, reflecting stepped-up activity in Viet Nam. Nondefense spending by the Federal Government moved up by $1.3 billion to a 1965 figure of $16.7 billion.

Industrial production, averaging 143 percent of the 1957–59 base, was 10.7 percentage points higher than the 1964 figure—the largest year-to-year rise since 1959. All major components showed increases from the preceding year. The durable goods index rose by 14.3 percentage points to 147.8, and the nondurable goods index by 8 percentage points to 140.3; mining and utilities production increased by 3 points and 10 points to 114.5 and 161.7, respectively.

Within the manufacturing sector, new production records were commonplace. The two key industries (autos and steel) which sparked the economy in 1964 provided even greater stimulation in 1965. Auto output totaled 9.3 million units, far greater than the 7.7 million of 1964. This performance easily surpassed all previous model and calendar year records. Consumer response to the 1966 models proved favorable and fourth quarter production was at a new high.

The *steel industry* produced 131 million tons during the year, breaking the record set in 1964. In the early months of 1965, steel production soared because of heavy demand for current use and for stockpiling in the event of a strike. A 4-month interim agreement between the steel producers and the labor union intensified the stockpiling; as a result, record steel production carried into the midsummer months. Output began to drop in August; however, by mid-November the sharp production slide bottomed out. By the end of December output turned up substantially under the stimulus of heavy orders from the transportation equipment and machinery industries.

Expenditures for new plant and equipment were estimated at $51.83 billion, compared with $44.90 billion in 1964 and $39.22 billion in 1963. Rising investment during the year reflected many influences—steadily increasing sales and unfilled orders, high and rising rates of capacity utilization, and a large advance in before-tax profits. Substantial increases occurred in most key industry sectors. Within manufacturing both the durable goods and nondurable goods industries enlarged


TOTAL AND INSURED UNEMPLOYMENT 1/
MILLIONS
MILLIONS
6
5
4
3
2
1
0
TOTAL 2/
INSURED - ALL PROGRAMS 3/
INSURED - STATE PROGRAMS
(comparable week)
Plotted through January 1966
1957
1958
1959
1960
1961
1962
1963
1964
1965
1966
1 Total unemployment includes Alaska and Hawaii beginning January 1960. Insured unemployment includes Alaska and Hawaii beginning July 1959 and Puerto Rico beginning January 1961.
2 Source: Bureau of the Census and Bureau of Labor Statistics. Data revised for past periods to conform to definitions effective January 1957.
3 Includes State, Veterans', Ex-servicemen's, Federal Civilian Employees', and Railroad Programs. Also includes Federal and State programs for temporary extension of benefits beginning June 1958.
U.S. DEPARTMENT OF LABOR

their outlays by over 20 percent. Among the highlights in the nonmanufacturing sector were the resurgence of capital spending by the airlines and the continued large expansion by the railroads; these outlays lifted expenditures by the transportation group as a whole by 20 percent more than the 1964 showing. Utilities, mining, and communications showed increases of about 10 percent.

Personal income amounted to a record $530.7 billion. This was $35.7 billion, or 7 percent, above 1964 and the largest year-to-year advance since World War II. All major sectors had significant gains, but the largest rise took place in the wage and salary category which rose by about $24 billion to $357.4 billion. The major part of that increase stemmed from higher employment, but an increase in weekly hours worked and higher hourly wage rates contributed to the rise. Also within that sector, manufacturing payrolls rose by 7.75 percent—durable goods rose 9.5 percent and nondurables increased by 5.25 percent. Payrolls in the nonmanufacturing industries were up by 6.75 percent. Dividend payments rose by 10 percent and transfer payments (mostly social security benefits) were up by 7 percent.

Retail sales totaled $283 billion, up 8 percent from 1964. Durable goods sales volume made an 11-percent gain, while nondurables sales rose 8 percent. In the durables sector the auto industry again recorded a substantial sales increase as 8,750,000 domestically produced units were sold;

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import sales of 550,000 brought the overall total to 9.3 million units—an impressive record. In 1964, 7.6 million domestic cars and 500,000 imported autos were sold. In the nondurable goods area the largest gains over the year were in the department stores and food and beverage places.

Construction spending was at a record $68.1 billion, 3 percent higher than the 1964 total of $65.8 billion. The over-the-year rise, however, stemmed almost entirely from a rise in construction costs, and not from an increase in physical volume. In the private sector (which showed a rise of 4 percent in dollar spending) the physical volume increased by only 1 percent; in the public sector, physical volume was some 2 percent below the 1964 figure.

Estimates for the entire year indicate that 1,503,000 housing units were started in 1965—some 3 percent below the total of 1964 and 6 percent less than that of 1963. In 1965 single family starts were only slightly below the 1964 level, but apartment building declined by nearly 50,000 units. On a regional basis most of the reduction took place in the West, where the number of starts dropped to 280,000, nearly one-fourth less than in 1964 and well below the 430,000 starts in 1963. In the Northeast and North-Central regions, starts rose by 9 percent and 7 percent, respectively; in the South starts held close to 570,000 units for the third straight year.

Employment

The strong expansion of the economy in 1965 was accompanied by a substantial advance in employment. About 1.8 million more workers were employed than in 1964, bringing the employment average for the year to 72.2 million. All of the over-the-year gain was in the nonagricultural sector; farm employment dropped by 200,000 to 4.6 million. The employment gain in 1965 was of such magnitude as to overcome the greater-than-average increase in the labor force. As a result unemployment was reduced significantly. By the end of the year the unemployment rate was down to 4.1 percent—close to the Administration's interim goal of 4 percent. For the year as a whole the unemployment rate averaged 4.6 percent, as compared with 5.2 percent in 1964 and 5.7 percent in 1963.

Averaging 60.4 million, *nonfarm payroll* employment was 2.3 million above the volume in 1964. Only mining failed to show an increase, but the reduction in this sector was nominal. The largest rise was in manufacturing—some 725,000. Trade employment moved up by 453,000, State and local government by 419,000, and services by 334,000. Construction employment showed an increase of 155,000, bringing the average to 3.2 million for the year.

One of the most dramatic aspects of the employment situation in 1965 was the emergence of manufacturing as a major factor in the job growth picture. Factory employment had shown relatively little growth from the midfifties to 1963. In 1964 there was a substantial increase, stimulated in large part by the effects of the tax cut. However, the gain was accelerated in 1965 as demands for goods proved strong enough to continue to boost both employment and hours of work. In addition to recordbreaking production in the auto industry, the demand for other consumer goods and for producers durables was heavy throughout the year. In the latter part of the year the demands on defense industries increased. As a result, manufacturing employment expanded to a record average of almost 18 million and accounted for nearly one-third of the 1965 expansion in nonfarm employment.

Approximately four-fifths of the 1964–65 gain in factory jobs was in the durable goods sector—with especially strong increases in the machinery, electric equipment, and fabricated metal industries. Employment in the nondurable goods industries as a whole showed a rise of 150,000 (more than twice the advance between 1963 and 1964) and reached an alltime high. Strong gains occurred in the apparel, printing, chemicals, and plastic products industries.

The *workweek* of production workers in manufacturing industries averaged 41.1 hours in 1965 (up nearly one-half hour from a year earlier) and was at the highest level since World War II. Increases, especially large in durable goods industries, were recorded in virtually all major manufacturing divisions. The entire rise in the workweek took the form of overtime work at premium pay, a factor that contributed to the increases in average hourly and weekly earnings. Overtime averaged 3.6 hours per week (an advance of one-half hour from 1964), the highest level since the start of this statistical series in 1956.

Hourly earnings averaged $2.61 which was 8 cents, or approximately 3 percent, above 1964. Re-

flecting both the rise in the workweek and hourly earnings, *weekly earnings* of factory workers moved up by $4.50 to a record $107.30. The 1965 gain amounted to 4.2 percent, compared with a 3.4-percent rise between 1963 and 1964. One-fourth of the increase resulted from the lengthened workweek.

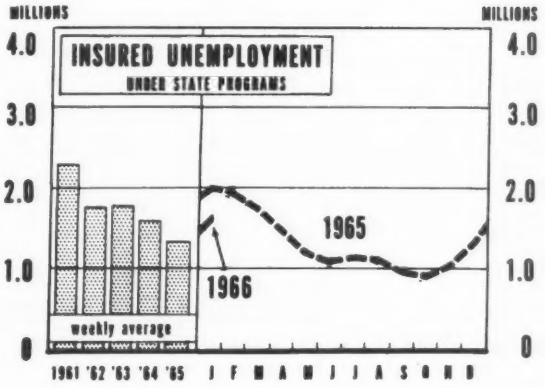
Nearly 6.5 million *nonfarm placements* were made by local employment service offices in 1965. This was 192,000, or 3.1 percent, above 1964. Among the major industry divisions, manufacturing, public utilities, and government showed advances. Placements in factory jobs showed the largest rise—153,700; government placements rose by 65,600; and those in public utilities showed an increase of 16,900. In services, placements were down by 47,500; trade and construction placements also showed declines of 13,100 and 4,500, respectively.

Three of the occupational categories—professional-managerial, semiskilled, and unskilled—showed placement gains over 1964. Among the unskilled, placements were up by 183,800; those among the semiskilled rose by 75,700; and among the professional-managerial, by 16,000. These increases were somewhat offset by losses among the services (52,300), skilled (18,700), and clerical-sales (13,100) groups.

Unemployment

Significant improvement occurred in the unemployment situation for all groups in the labor force. As a result, the volume of *total unemployment* averaged 3,456,000—about 400,000 less than a year earlier. Although the level of teenage joblessness at 965,000 was virtually unchanged from 1964, their rate of unemployment, at 13.1 percent in 1965, compared quite favorably with the 14.5 percent rate of 1964. During the year the teenage labor force increased by 550,000 (on an annual average basis) and, owing largely to the extraordinary efforts undertaken by the Federal, State, and local governments, private industry, and community organizations, an even greater number of youths found jobs. For all adult men, full-time workers and blue-collar workers, unemployment rates fell to the lowest level in over 10 years. In addition, there were significant improvements in the volume and rate of unemployment for adult women.

The reduction in total unemployment accelerated during the latter part of the year. The high



was recorded in February when the seasonally adjusted rate was 5.0 percent. In late summer the rate was at 4.5 percent, but it began dropping sharply in September, and by yearend was at 4.1 percent—the lowest for any month since May 1957. In December the jobless rate for married men reached 1.8 percent, and the rate of unemployment for adult women fell below 4 percent for the first time since early 1957.

Among the unemployed in 1965 an average of 755,000 persons were jobless for 15 weeks and over—about 200,000 less than in 1964. This reduction in *long-term unemployment* accounted for about half of the over-the-year decline in total unemployment. Average duration of unemployment in 1965 was 11.8 weeks, compared with 13.3 weeks in 1964 and 14.0 weeks in 1963.

Insured unemployment under State programs was at a weekly average of 1.3 million; in 1964 the weekly average was 1.6 million. Only Puerto Rico and four States—Alaska, Arizona, California, and Nevada—reported higher unemployment in 1965, but these increases were small. Significant declines occurred in nearly all major industrial States. Pennsylvania showed the largest reduction—41,600; New York was second with a decline of 35,300, followed by Ohio with 20,500, Massachusetts with 17,000, and Illinois with 15,500. Considerably less unemployment among workers from the manufacturing sector was a large factor in these reductions. Also in these States, less unemployment among workers in the construction and trade sectors contributed to the declines.

Initial claims under State programs were at a weekly average of 232,000, down 36,000 from 1964—the smallest volume since the 1956 average of 226,000.

Total benefits paid out under all regular unemployment insurance programs came to $2.2 billion; in 1964 the amount was $2.5 billion. Almost 91 percent of the 1965 amount was disbursed under the State programs. The *average weekly benefit check* for the totally unemployed was $37.19—about $1.23 more than a year ago. About 9 percent of all unemployment benefit checks paid out under State programs was for partial unemployment—the same proportion as in 1964. The average partial check came to $22.53; in 1964 it was $21.32.

Unemployment Insurance Trends in 1965

*Robert Miller**

STATE insured unemployment ended calendar year 1965 at a weekly average of 1.3 million—the lowest December volume in 9 years. On a seasonally adjusted basis, the volume fell from nearly 1.5 million in January to 1.2 million in December, reflecting a drop each month except July and August.

For the year as a whole, insured unemployment averaged 1,328,000 per week, a drop of 277,800 or 17 percent from 1964. The average rate of insured joblessness moved down from 3.8 percent in 1964 to 3.0 percent—the lowest rate since the Korean conflict years when it was 2.8 percent.

State Variations in 1965

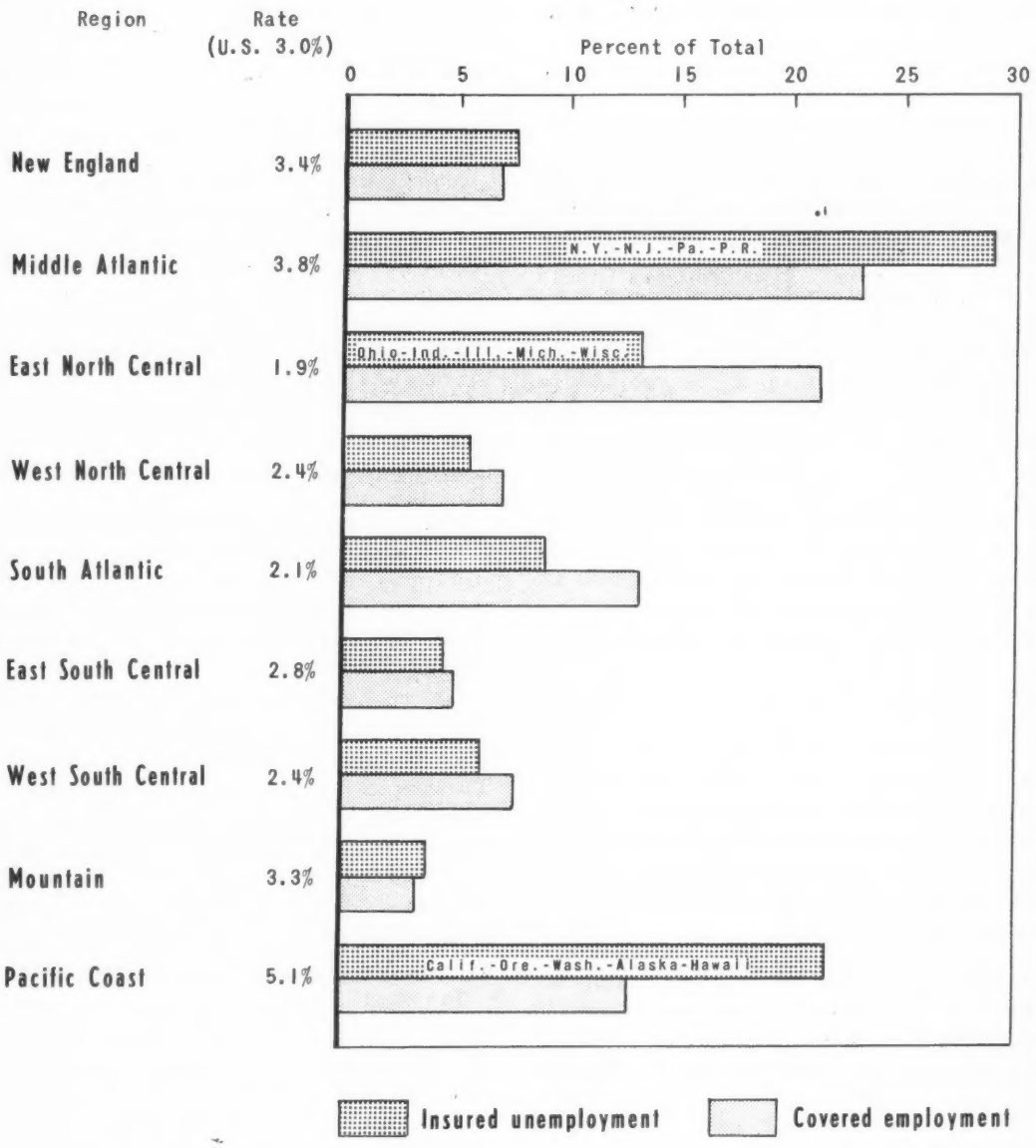
As usual, there were significant variations among the States in the volume and rate of insured unemployment because of differences in size and industrial characteristics. Joblessness was relatively heavy in Puerto Rico and five States—Alaska, California, Nevada, North Dakota, and Washington—where the average rate for the year was over 4.0 percent of the covered work force. In 10 other States, however, insured unemployment was light (less than 2.0 percent of covered employment). This group included such populous States as Georgia, Illinois, Indiana, Ohio, Texas, and Virginia.

Close to one-half the national decline in insured unemployment occurred in five States, although they accounted for only one-third of total joblessness and one-third of the covered employment. These States and the amount of their declines were Pennsylvania (41,600), New York (35,300), Ohio (20,500), Massachusetts (17,000), and Illinois (15,500).

Pennsylvania's improvement was shared by all its industries except tobacco and petroleum, while New York reported sizable declines among workers from apparel and transportation equipment manufacturing and among trade and service workers. In Ohio the drop reflected increased activity in fabricated metal and other metal-using establishments as well as in the construction and trade industries. During the first 9 months of 1965, joblessness among Ohio's primary metal workers was well below that for the corresponding months in 1964. A sharp rise in the final quarter, however, pushed the 1965 average above that for the preceding year. The bulk of the decline in Massachusetts occurred among workers in the electrical machinery, leather, and trade industries, while

*Division of Economic Research and Analysis, Office of Program Reports and Research, Administration and Management Service, Bureau of Employment Security.

Percent, Distribution of Average Insured Unemployment and Base Period Covered Employment, by Geographic Region, 1965



approximately half of the Illinois drop resulted from a pickup in trade and services activity.

Among the Nation's broad geographic regions, the unemployment rates ranged from a low of 1.9 percent in the east North-Central region to a high of 5.1 percent in the Pacific Coast group. The regional distributions of average insured unemployment and base period covered employment during 1965 are shown in the chart below.

Joblessness Down by One-Fourth in 11 States

Among the 47 States with smaller volumes were 11 with declines of more than one-fourth; in 5 of these—Indiana, Mississippi, New Hampshire, Ohio, and Pennsylvania—the reductions amounted to more than 30 percent. On the other hand, the decreases were minimal (less than 10 percent) in Hawaii, Nebraska, New Mexico, North Dakota, and Utah.

The five States where the insured jobless situation worsened somewhat were Alaska, Arizona, California, Nevada, and Puerto Rico. Except for Nevada, which experienced an 8-percent rise, the increases in each of these States amounted to less than 4 percent. In every case, the failure to improve was due to a combination of factors. In Alaska there was a return to more normal levels following the extremely low levels of 1964 due to the widespread hiring for cleanup work after the earthquake. Both Arizona and Nevada were affected by locally significant cutbacks in construction, and Nevada felt the effects of weakening activity in southern California.

The rise in insured unemployment in California amounted to less than 1 percent and was mainly among construction and service workers. Other factors preventing a drop in claims were cutbacks in plants supporting space activity and a change in aircraft procurement to meet current needs.

Unemployment Drop Mostly Among Factory Workers

The boom in manufacturing employment accounted for the bulk of the nationwide drop in average insured unemployment between 1964 and 1965, although less joblessness among construction, trade, and service workers was also a factor. Within the manufacturing sector, the durable goods industries showed a relatively steep decline, with sizable reductions among workers from the electrical equipment, transportation equipment, machinery, and fabricated metal establishments. While average insured unemployment in the primary metal industry showed little change between 1964 and 1965, the 45,300 unemployed in December 1965 was more than double the figure for December 1964. A sharp rise occurred during the final quarter of 1965 when steel production dropped sharply as consumers worked off strike-hedge inventories built up earlier in the year. A somewhat smaller jobless reduction in soft goods manufacturing largely reflected increased activity in apparel, textile, and food processing industries.

Initial Claims at 9-Year Low

Initial claims under State programs declined by 14 percent in 1965 to a weekly average of 232,000—the lowest figure since 1956. All States reported lower volumes except Alaska, Arizona, California, Nevada, and Puerto Rico—the same States that showed increases in insured unemployment. The increases amounted to less than 4 percent, except for rises of 11 percent and 5 percent, respectively, in Alaska and Puerto Rico.

Benefit Payments Down $400 Million

Jobless workers in 1965 received some $2.2 billion in benefits under State unemployment insurance programs. This was $356.1 million or 14 percent less than the 1964 amount and was the lowest figure since 1957 when benefits totaled $1.8 billion.

The weekly benefit check for total unemployment under State programs averaged $37.19 in 1965, compared with $35.96 in the preceding year. The average payment varied widely among the States, reflecting in large measure, differences in State unemployment insurance laws. In California, Colorado, and Wisconsin, the average weekly check reached $43. In contrast, Maine, Mississippi, North Carolina, and Puerto Rico disbursed average weekly benefit checks of less than $25.

In 1965, the average check for partial unemployment rose by $1.21 to $22.53. Nearly 9 percent of all benefit checks were for partial unemployment—about the same percent as in the preceding year. States with the highest proportions were North Dakota (17.8 percent), Idaho and Pennsylvania (15 percent each), and Georgia (14.8 percent).

On the other hand, in the District of Columbia, Nebraska, and Puerto Rico, proportions did not exceed 4 percent.

Claimant Exhaustions Lowest Since 1956

A total of 1,086,000 persons exhausted their State benefit rights in 1965, compared with 1,371,000 in the preceding year. This decline (21 percent) was somewhat sharper than the 17-percent drop in insured unemployment from 1964. The 1965 exhaustion total was the lowest since 1956 when it was 1,020,000. The proportion of claimants exhausting their benefit rights also moved down—from 23.8 percent to 21.5 percent in 1965—continuing the downtrend since 1961 when it was 30.5 percent. Only seven States—Arizona, Hawaii, Montana, Nevada, Puerto Rico, Utah, and Wisconsin—showed higher rates in 1965 than 1964. The 1965 exhaustion rates were above 30 percent in Puerto Rico (49.3 percent), Texas (36.1 percent), Florida (34.7 percent), South Carolina (30.5 percent), and Alabama (29.6 percent). On the other hand, in nine States, including Maryland, Michigan, North Carolina, Ohio, and Pennsylvania, the rates were below 15 percent.

Federal Programs Activity Also Declines

In 1965, insured unemployment under the two Federal programs declined sharply. Jobless Federal workers under the UCFE program averaged 24,600 per week—some 4,700 or 19 percent below the year-earlier number, and the lowest figure in 8 years. Among ex-servicemen, insured unemployment under the UCX program averaged 36,400 per week or 28 percent below the number in 1964.

Initial claims filed by Federal workers averaged 2,500 per week in 1965, 400 less than in the preceding year, while the number under the UCX program, at 5,100 per week, was down from 6,400 in 1964.

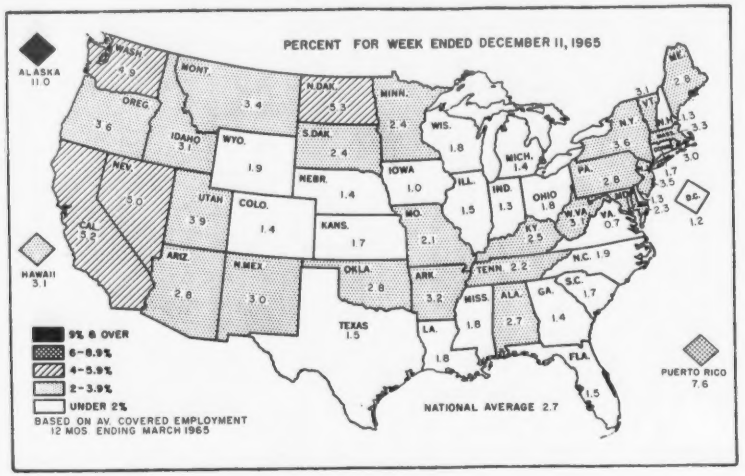
A total of $117.4 million was paid in benefits under the two Federal programs, compared with $148.7 million in 1964. This decline (21 percent) compared with a drop of 14 percent under State programs. In 1965, benefit checks for unemployed Federal workers and ex-servicemen averaged $38.29 and $36.73, respectively.

The number of persons exhausting their benefit rights under the two Federal programs dropped by 27 percent between 1964 and 1965—from 72,600 to 53,100.

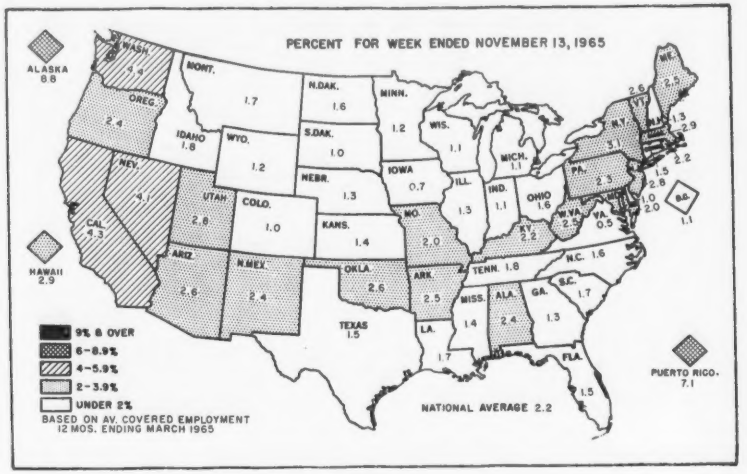
NOTE.—A separate monthly report, *Unemployment Insurance Statistics*, provides more detailed data on unemployment insurance activities. Copies of *Unemployment Insurance Statistics* are available upon request to Unemployment Insurance Service, Bureau of Employment Security, U.S. Department of Labor, Washington, D.C., 20210.

STATE INSURED UNEMPLOYMENT AS PERCENT OF AVERAGE COVERED EMPLOYMENT

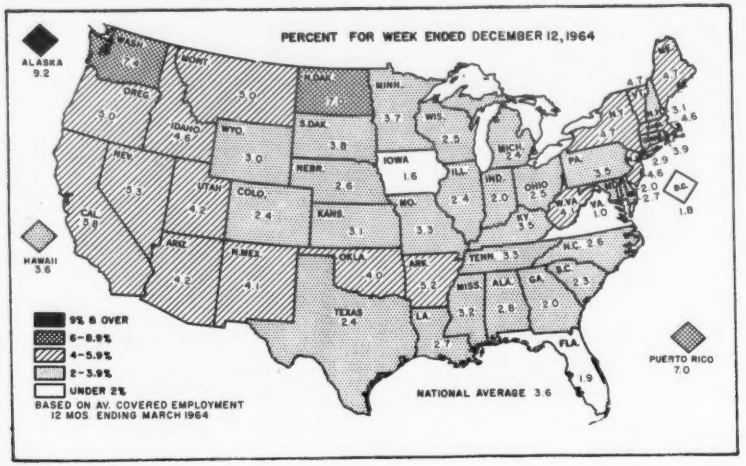
LATEST MONTH



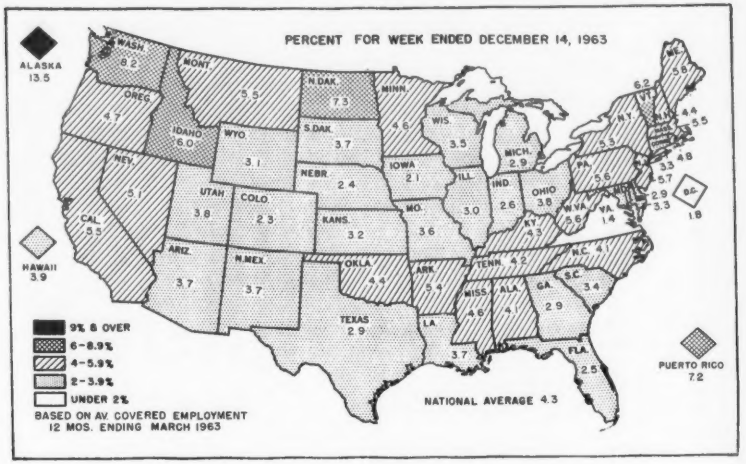
PREVIOUS MONTH



ONE YEAR AGO

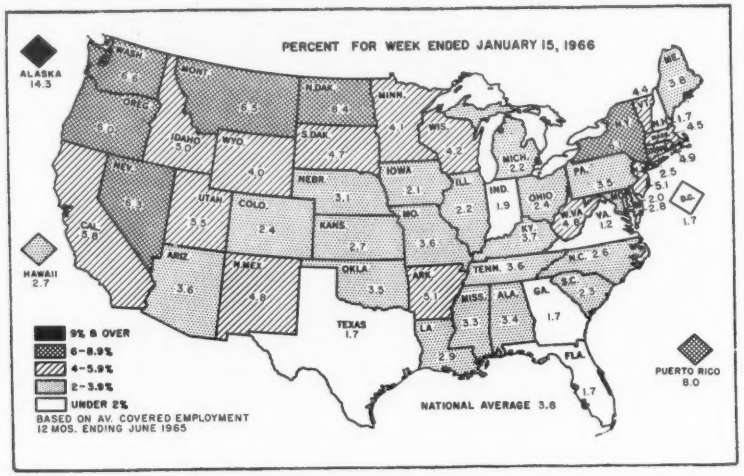


TWO YEARS AGO



STATE INSURED UNEMPLOYMENT AS PERCENT OF AVERAGE COVERED EMPLOYMENT

LATEST MONTH



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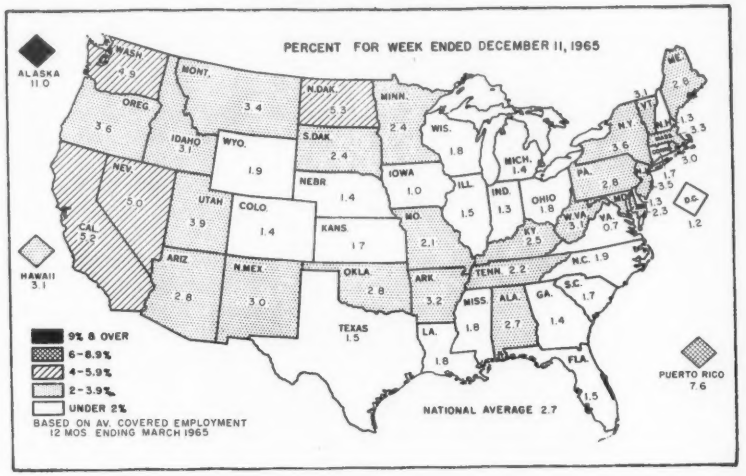
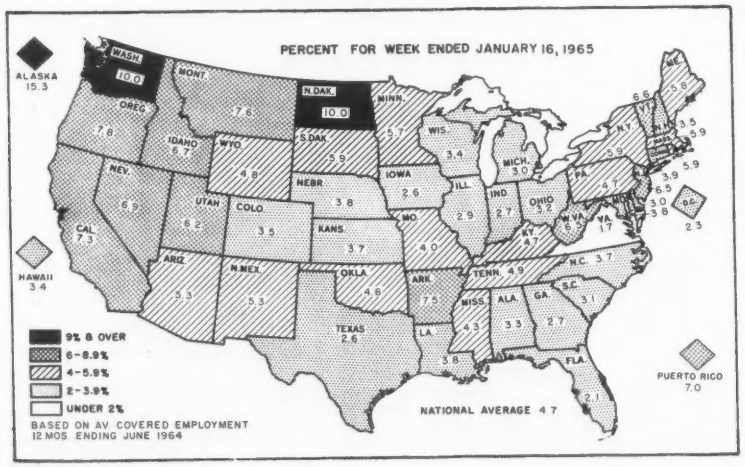
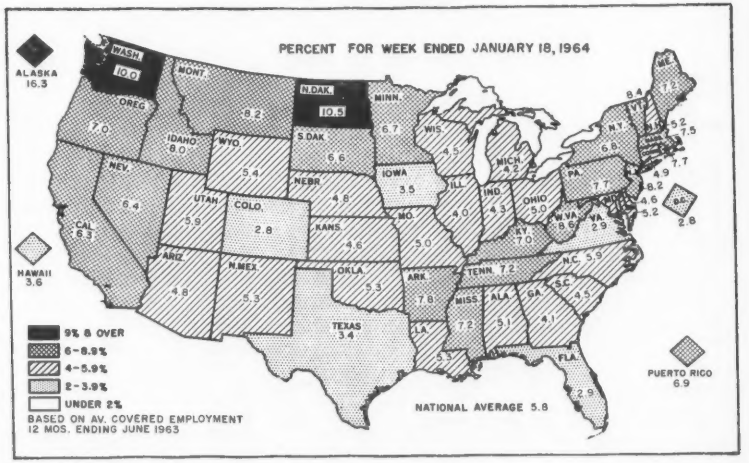


ONE YEAR AGO



TWO YEARS AGO



A Training Unit for the Nonmonetary Determination Function

*Morton Rosenbaum**

This is the first in a series of three articles that deal with the subject of quality improvement of the nonmonetary determination function. The other two articles will be published in future issues.

SINCE the beginning of the Federal-State unemployment insurance program, fact finding and nonmonetary determination writing have been highly challenging tasks in the claims adjudication process. Supervisors who are responsible for performance in this vital area of local office activity universally agree that the need for improvement never ends. Experience has revealed that progress can be obtained only through a continuing and effective program of quality control. To help State agencies meet the need for performance improvement, and to carry out a program of quality control, the Bureau's Unemployment Insurance Service developed a training program unit, *Installation and Maintenance of a Quality Control Program for the Nonmonetary Determination Function* (UI Service Training Program Unit 60—Parts A and B), and has recently introduced its use to several States through the regional offices of the Bureau.

The unit has two parts—an Instructor's Guide (Part A) and Trainee's Workbook (Part B)—to be used by first level supervisors and intermediate supervisors and technicians when they are being trained. The material is organized so that the entire unit or any sections or combinations of sections may be used depending upon the current need. Although designed for general use, States can make appropriate adaptations of the unit to tie it in more closely with their own claims operations.

The training unit presents a quality control program that gives well-integrated and positive direction to State supervisors of the nonmonetary determination function. It includes two built-in elements that are highly desirable for effective supervision of this activity: (1) A formal analysis of nonmonetary determination case records which gives the supervisor an objective and discriminating picture of the quality of performance; and (2) the supervisor's completed analysis of each case which serves as an effective training mechanism for his use.

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Morton Rosenbaum, Chief, Determinations and Benefit Series Branch, Office of State Operations, discusses format of the training unit with Evelyn E. Eckert, Office of Program Development and Legislation.

Gaining Acceptance of the Program

Recognizing that a successful quality control program must have the full support of the State agency administrator and his entire staff, the training unit begins with a consideration of the numerous reasons *why* such a program is desirable. The needs for the program are discussed in terms of the nature of the nonmonetary determination function and its impact upon public understanding of unemployment insurance. Determination notices are read with great interest by claimants and employers because they are intimately concerned with whether benefits will be paid. The determination notices should provide the parties with adequate information on how to proceed in pursuit of their rights. In reality, the determination notice is an integral part of the broader benefit adjudication process. A well-prepared determination which conveys a clear and convincing explanation of how an issue is resolved brings a good reaction. A poorly prepared decision can generate widespread criticism. An effective program of quality control in the nonmonetary determination function strengthens the administration of the payment of benefits. All supervisory levels involved are therefore responsible for and should participate in the program, from the State-level supervisor who establishes and maintains the overall program down to first-level supervisors who carry out the evaluations.

The training unit discusses the need for the program as it relates to the supervisor's job and responsibilities. It points out the many values that are readily obtained when such a program has been instituted. For example, supervisors acquire a sharper and more objective understanding of the elements of a good nonmonetary determination. Also, the professional development of operating

personnel is promoted because the analytical review of their performance alerts them to all of the specific tasks involved in their job and what each requires to achieve a higher level of quality performance. The program thereby makes operating personnel as well as supervisors think of identifying specific issues, of focusing the fact investigation on areas that are pertinent to the issue, and of following effective methods of fact investigation. It helps them to prepare the fact record properly, to resolve issues according to law and agency policy, and to use appropriate language. The formalization of these tasks and their relationships one to the other is, in essence, a significant part of doing a more professional job.

In order to make a good case analysis, the supervisor must measure performance according to standards set by well-defined policy, procedures, and practices. If he is to meet his responsibilities in a quality control program, a supervisor must have a good working knowledge of these three areas. If he has not obtained it prior to the installation of the program, he will find a definite need to acquire it once he becomes involved. In turn, if there should be any gaps or inconsistencies in a State's procedures, or if benefit policy is not defined adequately, or if there are any practices which are not consistent with efficient operations, the need for corrective actions in these areas is soon brought to light when the program is in operation. Once the need is identified there is a better chance that the necessary action will be taken.

Elements of Quality Control

Three sections of the training unit deal with techniques and basic principles which are essential elements of most quality control programs, such as frequency of analysis, sample selection techniques, and some basic principles of evaluation. Section IV deals with frequency of analysis. This is determined by the needs related to experience of personnel, changes in law, policy or precedents, and unusual trends indicated by statistical analyses. Section V is concerned with aspects of the sampling technique, stressing the importance of how the selection should be made and the number and kinds of cases to be selected. Section VI discusses basic principles to be considered before undertaking the analysis. It emphasizes the values of an analytical and objective approach, and the importance of evaluating each task separately in order to obtain results that define the quality of performance in terms of the component tasks of the overall job. The importance of measuring performance by appropriate standards and the need to distinguish between performance and procedural problems are considered.

These three sections of the training unit, as well as others, emphasize the value of developing and maintaining a relationship of mutual confidence between supervisor and employee.

Using Case Analyses for Performance Evaluation

The major section of the training unit is devoted to the formal analysis of nonmonetary determination cases. In order to make it possible to evaluate performance more effectively, former Form ES–618 now designated as BES Form 78–08 (Analysis of Nonmonetary Fact Finding and Determinations), has been revised along with related instructions, and has been released to the State agencies (MTL–1010). The case evaluation is related to the items on BES Form 78–08.

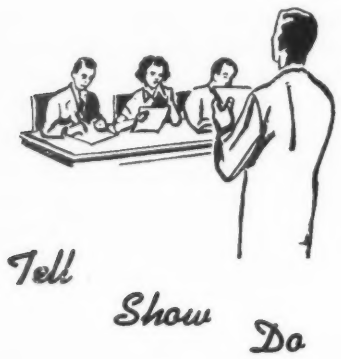
This section of the training unit includes several case samples and their completed analysis with ratings and comments, which enables the instructor to conduct effective training in case analysis work. Thus, with the use of the training unit, the instructor *tells* how to analyze a case utilizing BES Form 78–08, then he *shows* the trainees step by step how to do an evaluation of a sample case, and finally each trainee *does* some evaluations of cases alone, or in a small group, with discussion following.

Each trainee evaluates one or more cases as necessary to ascertain that he has a good working knowledge of how to complete a case analysis. The sample case records included in the training unit are copies of actual cases in the files of various States. If an instructor prefers, he may use cases taken from the files of his own State or perhaps a combination of cases from the training unit and from his State's files. If an instructor wishes the Bureau's national office staff to analyze cases he has selected from his files for training purposes, this service will be available upon request.

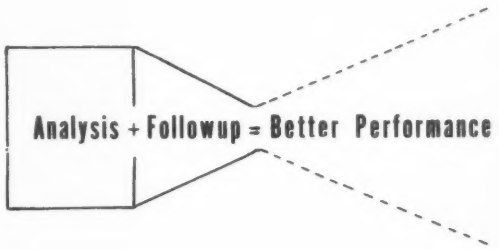
Effective Followup Measures

Of course, the analysis of case records should not become an end in itself. The ultimate objective of the program is a higher quality level of performance and this requires effective followup measures. These measures include a review by the supervisor of the cases that were analyzed with the individuals who made the determinations, the preparation of the supervisor's summary report of evaluation, and the development of a plan of action to deal with the areas of inadequacy revealed by his findings.

In discussing the value of the supervisor's review, the instructor's guide points out that there is a need not only for a full discussion of all inadequate items but that good performance should also be acknowledged through a supervisor's compliment which goes a long way toward promoting better performance. The training unit outlines a number of other pertinent points for effective followup, such as employee motivation, the adequate use of work tools, the self-auditing of completed work, and the method for coordinating all of the followup activities.

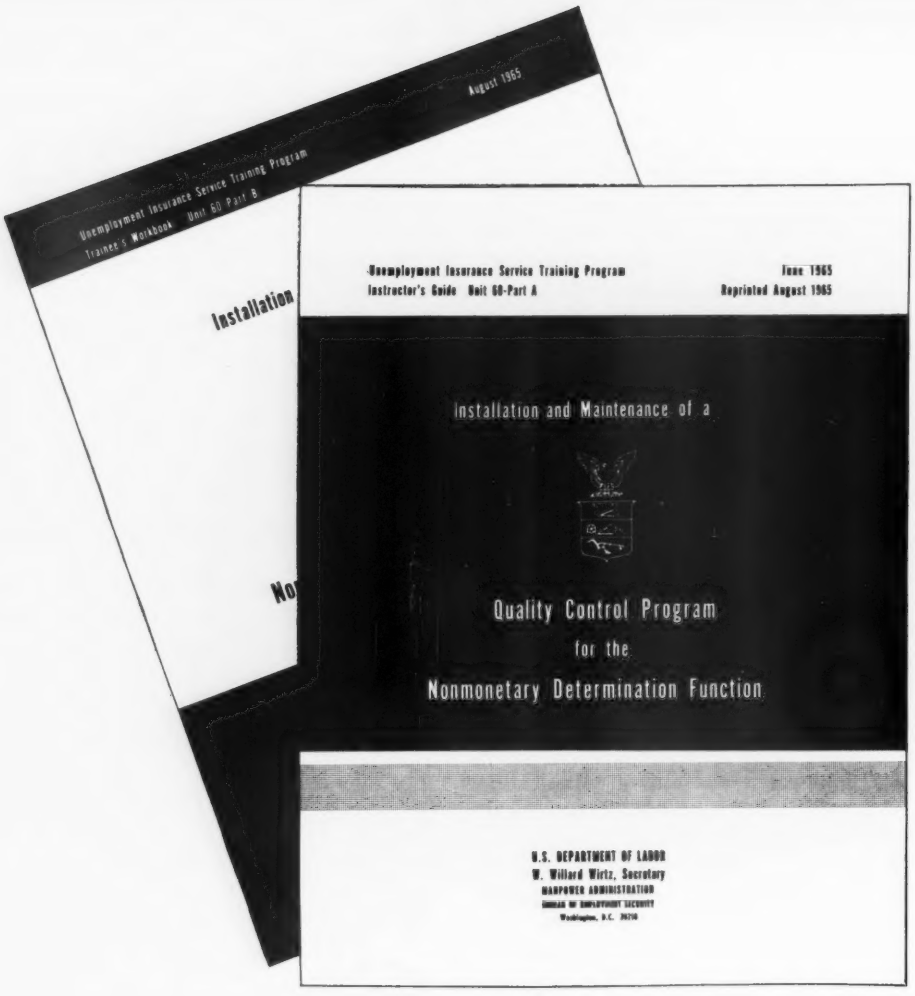


Supervisors who have participated in quality control programs involving a formal case analysis usually find that reviewing the cases analyzed with the employees who prepared them is a highly effective form of training. The supervisor has an opportunity to indicate, clearly and in very specific terms, to his employees what he considers to be better quality performance. The employee also has an opportunity to express his ideas about how his work should be performed and to obtain specific clarification on any aspects of it.



Although the formal analysis of case records is the most efficient and productive approach to quality control in the case of nonmonetary determination activities, a program which relies entirely upon this technique would not be completely adequate. Spot checks of the case records also are useful and these, too, are discussed in the training unit. While procedures and forms have been developed for use by supervisors in observing the nonmonetary interview, they were not included or discussed in the training unit. The observation of an interview technique is usually more time consuming than the analysis of a case record because for an observation to be really meaningful it must be accompanied by a complete review of the related case record. The observation of the interview should only be brought into a quality control program that has been in operation long enough to be functioning efficiently. In view of this, techniques, forms, and instructions for the observation of the interview method may become the subject of a supplement to the training unit.

A number of States had been conducting quality control programs for some time before the Training Program Unit 60 was developed. The degree of sophistication and the effectiveness of their programs vary to a considerable extent. Some States



conduct a semiannual analysis of 10 cases from each adjudicator, while others may analyze approximately 5 percent of the current case workload on a week-to-week basis. The content of their analysis forms and their rating criteria differ widely, while their followup action for obtaining improved performance may be either almost nonexistent or fairly extensive and highly coordinated. Thus, Training Unit 60 should be helpful to those States without a program, and it should also serve to indicate how existing programs may be improved and expanded where necessary.

The Bureau and the State agencies, have been aware of the need to increase and develop materials for use in training supervisors. UIS Training Program Unit 60 is designed to meet this need with respect to the training of those supervisors who are responsible for installing and maintaining a quality control program for the nonmonetary determination function.

Unemployment Insurance Decisions*

Illegal Possession

Alabama.—The claimant's husband asked her to take a bottle of homebrew to a fellow worker. She placed the bottle under her sewing machine at the plant where she was employed. The bottle broke and the homebrew spilled onto the floor. The claimant was discharged for having brought alcoholic beverages into the plant. The referee said, "Although the claimant had no intention of drinking the beverage, she was in possession of illegal products." She was held to have been discharged for misconduct connected with her work. (Appeals Referee Decision No. 1448–AT–65, Aug. 11, 1965.)

She Didn't Care

Arkansas.—The employer reported that the claimant was terminated after she stated that she did not care how the name of a town was spelled, indicating lack of interest in the company's welfare. The claimant said that she was fired after her employer asked her to correct the spelling on an envelope addressed to Cape Girardeau, Mo. She told him that she had spelled the name of the town as it appeared in the local telephone directory, but didn't care which way it was spelled. She then went back to her office and started to correct the spelling, but before she finished the employer told her, if she no longer cared, to make out her paycheck. The claimant explained at the hearing before the appeals referee that she had meant that it made no difference to her how the town's name was spelled, and not that she didn't care whether it was spelled correctly. From the evidence, the town's name appeared in the phone book the same way she had spelled it. The claimant was held not discharged for misconduct in connection with her work. (Appeals Referee Decision No. 65–AT–2447, Oct. 14, 1965.)

A Long Week Ahead

Alaska.—The claimant was employed as dredgemaster and his wife as cook by a mining company. His wife hurt her shoulder, and the employer had to hire another cook. Some time later the claimant and five other employees directed an undated document to the general manager, stating that they could no longer put up with the quality of the food or the way it was prepared. They gave the employer until August 15 to rectify the situation, stating that if it were not corrected by that date they would all quit. On August 8 the claimant quit without giving the employer an opportunity to comply with the requested change in personnel. He was held to have left suitable work voluntarily without good cause. (Appeals Referee Decision, Appeal Docket No. A–3698, Dec. 14, 1965.)

Feminine Dress

Arkansas.—A packer in a manufacturing plant quit when she was refused permission to wear a skirt while working. She testified that her reason for not wanting to wear slacks was strictly on religious grounds. Two months previously she had joined a church that believed "a woman should not wear anything pertaining to a man." The employer's representative testified that in order to comply with safety regulations all workers were required to wear snug fitting clothes, that the claimant had worn slacks for 6 years while employed there, and that the clothing worn by the female workers could not be classified as men's wear. The claimant was held to have quit for personal reasons and without good cause connected with the work. (Appeals Referee Decision No. 65–AT–3056, Dec. 27, 1965.)

Too Many Potatoes

Louisiana.—The chain grocery, during a sale of potatoes, did not bag them in packages of 5 or 10 pounds but left them loose for the customers to sack. Because of the low price the customers would purchase 25 pounds or more, and then take them to the checkout stand where the checker had to lift the bags and weigh them. This constant lifting hurt her back and caused her great pain. She asked for help but it was refused. After a short time she was unable to continue to do the job and resigned. She had to obtain medical treatment for her back. The referee's decision was that the claimant left work with good cause connected with the employment. (Appeals Referee Decision No. 3814–AT–65, Oct. 25, 1965.)

Employee-Customer

Wisconsin.—The claimant, a waitress, complained to a coworker that she thought she was unfairly treated by being required to wait until all other customers had been served when she made purchases at the employer's drugstore during her nonworking hours. The employer told her he had heard that she had a complaint to make about the service she had received as a customer. She replied that she did have a complaint, and the employer said, "If you don't like it, you can leave." She explained that she was not complaining about her work or the treatment she received as an employee. The employer told her, "You know what you can do about it," to which she replied, "I guess I can take my business elsewhere." The employer told her that she should understand that customers come first and that she could leave. The examiner found that the employer's tone did not permit the claimant to draw any other conclusion but that she was discharged. The examiner concluded that, in her capacity as a customer at the employer's establishment during nonworking hours, her complaint about the manner in which she was treated was reasonable, and she was therefore not discharged for misconduct connected with her employment. (Appeal Tribunal Decision No. 65–A–1880, affirmed by Industrial Commission Decision No. 65–C–387, Aug. 25, 1965.)

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*Prepared in Division of Determinations and Hearings, Office of State Operations, Unemployment Insurance Service, Bureau of Employment Security.

Income-Maintenance Program Operations

All Programs

	1965		1964	
	September	August	September	August
Total Public Income-Maintenance Payments (millions)	$3,933	$3,071	$2,936	$2,936
Old-age, survivors, and disability insurance	2,266	1,408	1,365	1,360
Railroad and public employee retirement	1/497	1/495	1/457	1/453
Unemployment insurance, temporary disability insurance, workmen's compensation, training benefits (ARA and MDTA)	2/349	2/358	2/357	2/369
Veterans' compensation and pension programs	358	351	333	332
Public assistance	463	459	424	422
Old-Age, Survivors, and Disability Insurance				
Total beneficiaries (thousands)	20,385	20,205	19,685	19,632
Retired workers	10,966	10,884	10,604	10,584
Survivors and dependents	8,453	8,366	8,196	8,173
Disabled workers	965	955	884	874
Total monthly benefits (millions)	3/$1,483	3/$1,364	3/$1,315	3/$1,311
Retired workers	921	850	821	820
Survivors and dependents	468	427	414	412
Disabled workers	94	87	80	80
Public Assistance				
Total recipients (thousands)	8,103	8,118	7,847	7,872
Federally aided programs	7,454	7,456	7,145	7,159
Aid to families with dependent children--children	3,296	3,297	3,127	3,132
Total recipients	4,379	4,388	4,165	4,176
Old-age assistance	2,140	2,145	2,162	2,145
Other federally aided programs	935	923	818	815
General assistance: Cases	305	313	321	323
Recipients	649	662	702	713
Total payments (millions)	4/$463	4/$459	4/$424	4/$422
Federally aided programs	433	429	393	392
General assistance	21	20	21	21

Operations Under Area Redevelopment and Manpower Development and Training Acts

	Total		ARA*		MDTA	
	October 1965	September 1965	October 1965	September 1965	October 1965	September 1965
Total paid trainees	53,593	52,258	846	1,728	52,747	50,530
Youths	12,919	12,354	NA	NA	12,919	12,354
Total initial trainees	11,896	13,097	NA	NA	11,896	13,097
Youths	3,010	3,455	NA	NA	3,010	3,455
Total net benefits	$10,020,777	$9,579,512	$94,869	$153,160	$9,925,908	$9,426,352
Training allowances	7,178,616	6,950,058	94,869	153,160	7,083,747	6,796,898
Youth allowances	1,091,819	968,633	NA	NA	1,091,819	968,633
Subsistence allowances	798,768	796,493	NA	NA	798,768	796,493
Transportation allowances	951,574	864,328	NA	NA	951,574	864,328

Temporary Disability Insurance Activities Under State and Railroad Programs

	First claims received		Weeks compensated		Benefits paid		Benefits paid	
	October 1965	September 1965	October 1965	September 1965	October 1965	September 1965	October 1964	September 1964
California								
State plan								
Basic benefits	47,604	45,328	273,785	286,131	$14,818,790	$15,495,358	$14,952,916	$15,140,287
Additional hospital benefits	5/28,814	5/27,930	6/206,963	6/202,400	2,483,556	2,428,800	2,579,508	2,349,648
Private plan	2,861	2,524	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)
New Jersey								
State plan	7,846	7,544	58,216	59,166	2,258,865	2,276,676	2,103,256	2,035,874
Private plan	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)
New York	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)
Rhode Island	2,847	2,720	24,795	26,824	872,165	936,130	835,813	860,098
Railroad								
Sickness	8,955	8,713	8/107,318	9/107,566	3,916,316	3,990,428	4,530,806	4,645,598
Maternity	125	103	8/2,012	9/2,222	141,046	156,739	165,425	169,778

1/ Data not comparable with earlier reports. Effective January 1964, Federal noncontributory and State and local retirement systems previously included with the data for unemployment insurance, temporary disability insurance, and workmen's compensation are included with railroad and public employees retirement systems.

2/ Data for temporary disability insurance and workmen's compensation include estimated payments made by private insurers and self-insurers in accordance with law.

3/ Current payment status, excludes lump sum and retroactive payments and adjustments for over and under payments.

4/ Total exceeds sum of items because of inclusion of vendor payments, not shown in detail.

5/ Represents the number of payments made. 6/ Days for which additional hospital benefits were paid. 7/ Data not available.

8/ Estimated from data "benefit periods" compensated which number 53,659 for sickness and 1,006 for maternity.

9/ Estimated from data "benefit periods" compensated which number 53,783 for sickness and 1,111 for maternity.

NA--Not applicable. *ARA program transferred to MDTA after June 30, 1965. These data represent ARA projects approved prior to July 1, 1965.

Income-Maintenance Program Operations

All Programs

	1965		1964	
	October	September	October	September
Total Public Income-Maintenance Payments (millions)	$3,215	$3,933	$2,948	$2,936
Old-age, survivors, and disability insurance	1,574	2,266	1,360	1,365
Railroad and public employee retirement	1/502	1/497	1/463	1/457
Unemployment insurance, temporary disability insurance, workmen's compensation, training benefits (ARA and MDTA)	2/326	2/349	2/351	2/357
Veterans' compensation and pension programs	356	358	339	333
Public assistance	457	463	434	424
Old-Age, Survivors, and Disability Insurance				
Total beneficiaries (thousands)	20,517	20,385	19,721	19,685
Retired workers	11,010	10,966	10,628	10,604
Survivors and dependents	8,537	8,453	8,207	8,196
Disabled workers	970	965	886	884
Total monthly benefits (millions)	3/$1,494	3/$1,483	3/$1,318	3/$1,315
Retired workers	925	921	823	821
Survivors and dependents	474	468	414	414
Disabled workers	95	94	81	80
Public Assistance				
Total recipients (thousands)	8,060	8,103	7,862	7,847
Federally aided programs	7,429	7,454	7,171	7,145
Aid to families with dependent children--children	3,293	3,296	3,138	3,127
Total recipients	4,370	4,379	4,175	4,165
Old-age assistance	2,126	2,140	2,161	2,162
Other federally aided programs	933	935	835	818
General assistance: Cases	298	305	319	321
Recipients	631	649	691	702
Total payments (millions)	4/$457	4/$463	4/$434	4/$424
Federally aided programs	429	433	403	393
General assistance	20	21	22	21

Operations Under Area Redevelopment and Manpower Development and Training Acts

	Total		ARA*		MDTA	
	November 1965	October 1965	November 1965	October 1965	November 1965	October 1965
Total paid trainees	54,866	53,593	762	846	54,104	52,747
Youths	14,501	12,919	NA	NA	14,501	12,919
Total initial trainees	9,686	11,896	NA	NA	9,686	11,896
Youths	2,841	3,010	NA	NA	2,841	3,010
Total net benefits	$10,082,464	$10,020,777	$58,759	$94,869	$10,023,705	$9,925,908
Training allowances	7,168,494	7,178,616	58,759	94,869	7,109,735	7,083,747
Youth allowances	1,158,024	1,091,819	NA	NA	1,158,024	1,091,819
Subsistence allowances	825,155	798,768	NA	NA	825,155	798,768
Transportation allowances	930,791	951,574	NA	NA	930,791	951,574

Temporary Disability Insurance Activities Under State and Railroad Programs

	First claims received		Weeks compensated		Benefits paid		Benefits paid	
	November 1965	October 1965	November 1965	October 1965	November 1965	October 1965	November 1964	October 1964
California								
State plan								
Basic benefits	50,557	47,604	298,242	273,785	$16,207,832	$14,818,790	$14,397,729	$14,952,916
Additional hospital benefits	5/29,290	5/28,814	6/211,315	6/206,963	2,535,780	2,483,556	2,361,852	2,579,508
Private plan	3,178	2,861	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)
New Jersey								
State plan	7,495	7,846	53,547	58,216	2,111,953	2,258,865	1,703,737	2,103,256
Private plan	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)
New York	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)	(7/)
Rhode Island	2,931	2,847	26,892	24,795	951,215	872,165	806,366	835,813
Railroad								
Sickness	9,544	8,955	8/111,746	9/107,318	4,011,314	3,916,316	4,107,387	4,530,806
Maternity	92	125	8/1,872	9/2,012	131,525	141,046	155,375	165,425

1/ Data not comparable with earlier reports. Effective January 1964, Federal noncontributory and State and local retirement systems previously included with the data for unemployment insurance, temporary disability insurance, and workmen's compensation are included with railroad and public employees retirement systems.

2/ Data for temporary disability insurance and workmen's compensation include estimated payments made by private insurers and self-insurers in accordance with law.

3/ Current payment status, excludes lump sum and retroactive payments and adjustments for over- and under-payments.

4/ Total exceeds sum of items because of inclusion of vendor payments, not shown in detail.

5/ Represents the number of payments made. 6/ Days for which additional hospital benefits were paid. 7/ Data not available.

8/ Estimated from data "benefit periods" compensated which number 55,873 for sickness and 936 for maternity.

9/ Estimated from data "benefit periods" compensated which number 53,659 for sickness and 1,006 for maternity.

NA--Not applicable. * ARA program transferred to MDTA after June 30, 1965. These data represent ARA projects approved prior to July 1, 1965.

Selected Unemployment Insurance Statistics, State Programs, December 1965

State	Initial claims received 1/ 2/	Weeks claimed 2/	Number of insured unemployed (weekly average) 3/	Number of beneficiaries (weekly average) 3/	Average weekly payments for total unemployment	Number of final payments 4/	Benefits paid 5/	12 months ending Dec. 1965 (in thousands) Benefits paid 6/	12 months ending Dec. 1965 (in thousands) Collections and interest	Funds available Dec. 1965 7/ (in thousands)
Total	8/1285353	8/5499530	8/1306912	990208	$38.81	76398	$172109846	$2166004	$3319278	$8357346
Alabama	9716	62814	16865	13064	30.36	1121	1795211	16191	31070	91146
Alaska	2536	16606	4332	3915	40.34	225	718956	3520	10421	10/ 16168
Arizona	8304	37769	8708	6485	37.34	630	1100351	16887	15684	63308
Arkansas	10821	48968	11483	7422	28.05	653	930428	12011	16291	33097
California	190380	1064851	233646	205159	46.67	15037	45509479	9/533674	529877	659689
Colorado	8021	25511	6235	3915	44.64	335	773449	12546	17696	62794
Connecticut	20141	64502	16300	12114	41.41	1166	2258451	35148	60218	205115
Delaware	2470	9136	2115	1949	38.10	177	331374	5061	9957	24454
Dist. of Col.	2740	17875	4027	3695	41.81	231	704899	9176	10723	65072
Florida	14751	77124	16981	8722	27.91	1380	1091867	20145	45308	182184
Georgia	9310	57808	12825	9092	29.47	1418	1135517	15588	39698	197894
Hawaii	2157	23169	5175	4707	40.29	255	828020	7377	11268	23188
Idaho	5680	18441	4715	2671	40.80	99	468861	6023	10221	32447
Illinois	48684	194268	45864	36369	42.47	3289	6864819	89497	144254	545090
Indiana	17170	58561	17104	12565	33.48	1547	1903139	25200	50978	186016
Iowa	6479	23627	6062	4587	35.56	396	552893	8215	14189	118120
Kansas	7155	29607	7152	5700	38.25	696	974179	14830	17932	65333
Kentucky	12380	57106	12411	8353	33.73	1032	1228705	19924	32096	123986
Louisiana	10663	54273	12329	10218	33.75	1007	1529009	23316	37987	128402
Maine	5018	25363	6129	4606	23.88	190	480001	6502	11556	35255
Maryland	16725	70215	18411	15576	38.29	722	2638976	29245	60671	177062
Massachusetts	60453	250253	59697	46690	40.66	3928	8036982	105266	142996	229688
Michigan	30072	113204	31908	19417	42.98	1582	3757186	58971	185984	10/515258
Minnesota	21463	84085	22074	15393	30.99	1315	2156509	27423	31603	27781
Mississippi	7128	27627	7117	3909	25.39	355	445361	7645	21557	63591
Missouri	29033	102568	24855	15253	34.59	1244	2198654	31109	52024	241074
Montana	4234	14799	4626	3198	31.13	328	459173	6139	6172	20087
Nebraska	4793	13580	4541	3040	34.07	347	462631	8609	8903	42305
Nevada	5822	28070	6489	5591	41.97	438	1054315	11289	11251	29369
New Hampshire	3460	9848	2510	1488	33.71	32	205299	3973	8809	30830
New Jersey	73121	273672	65018	57136	39.52	4734	9983114	124163	148591	316758
New Mexico	5197	21168	5968	3902	30.58	198	535198	7221	7968	35882
New York	241682	891772	208648	164148	41.30	9840	29111082	365907	519344	1305870
North Carolina	18158	86112	24662	16295	24.62	975	1777793	25852	53829	245069
North Dakota	3694	15029	4468	2725	40.81	247	508209	5666	5774	7716
Ohio	46558	212893	49622	33764	40.47	1619	6163861	73372	207018	366882
Oklahoma	8269	52639	12054	8072	26.96	767	976384	13417	18822	49676
Oregon	24033	75349	18361	12386	36.12	685	2010502	22425	35001	98481
Pennsylvania	116927	395380	92181	70456	35.63	3396	10541902	118816	312724	10/394455
Puerto Rico	8/13528	8/144632	8/31791	13665	16.83	2739	1123058	9/17305	21780	55189
Rhode Island	13787	37501	9659	7000	38.35	513	1178282	11744	23278	55737
South Carolina	7008	39939	9152	6911	29.71	967	921372	11928	22952	97933
South Dakota	2232	9127	2368	1410	32.00	160	196816	2595	2747	15284
Tennessee	17369	79923	19871	12740	26.65	1150	1617949	22882	46069	110270
Texas	20321	122820	32013	21515	30.84	3005	2989574	46817	64448	255817
Utah	6567	34897	8228	6053	37.94	480	1080414	12382	11513	37406
Vermont	2999	11746	2836	2248	35.06	112	341065	4257	6203	8734
Virginia	8967	29162	6459	4153	30.21	502	563041	10102	24898	151910
Washington	33399	147170	34298	28789	32.17	1181	4212726	46379	62906	216498
West Virginia	7988	46350	11328	8032	25.81	525	927011	12499	16594	63818
Wisconsin	34022	83661	23620	13879	41.64	1993	2572753	34941	54701	215777
Wyoming	2024	6637	1621	1065	38.48	55	181046	2836	4783	10383

1/ Excludes transitional claims.
2/ Total includes claims taken as agent State by the Virgin Islands.
3/ Weekly data are adjusted for split weeks in the month on the basis of a 5-day work week.
4/ A final payment is the payment for the last week of compensable unemployment in a benefit year, and indicates the exhaustion of benefit rights by a claimant for that benefit year. Because of the time lapse between the actual week in which the unemployment occurs and the date on which final payment is made the monthly total includes some claimants who exhausted their rights in the preceding month but received their final payment in the reported month, and excludes some claimants who exhausted their rights in the reported month but will not receive their final payments until the succeeding month. Workers who exhaust their rights may be entitled to additional benefits when the following benefit year begins. The number of exhaustions is not indicative of the number who are still unemployed as some will have obtained employment and others may have withdrawn from the labor force.
5/ Unadjusted for voided benefit checks and transfers under interstate combined-wage plan. Includes $2,243,419 in payments under extended duration provisions of State laws in two States: California $2,171,976 and Puerto Rico $71,443.
6/ Adjusted for voided benefit checks and transfers under interstate combined-wage plan.
7/ Includes amount credited to States' accounts in the unemployment trust fund, less withdrawals by the States, under the provisions of the Employment Security Administrative Financing Act of 1954.
8/ Includes data under the program for Puerto Rican sugarcane workers.
9/ Includes payments made under State temporary extended benefit provisions.
10/ Funds available reflect an advance from Federal account in Unemployment Insurance Trust Fund.

Selected Unemployment Insurance Statistics, Federal Programs,[1] December 1965

State	UCFE					UCX				
	Initial claims received [2]	Weeks claimed	Number of beneficiaries (weekly average)	Benefits paid [3]	Average weekly payments for all unemployment [4]	Initial claims received [2]	Weeks claimed	Number of beneficiaries (weekly average)	Benefits paid [3]	Average weekly payments for all unemployment [4]
Total	11845	101637	20389	$3739819	$39.01	20386	123923	24230	$427783	$38.00
Alabama	247	1432	317	46106	31.62	289	2060	441	64863	31.98
Alaska	138	2033	525	96938	40.12	65	455	119	20972	38.34
Arizona	188	1393	320	56359	38.24	296	1672	318	56589	38.63
Arkansas	75	1116	228	32907	31.31	194	1278	215	32035	32.33
California	1709	18415	3254	811725	48.78	3026	24524	4552	959395	43.82
Colorado	121	645	122	24063	43.05	246	1163	225	42962	41.43
Connecticut	47	390	75	15274	44.02	127	528	85	14682	37.55
Delaware	20	158	25	4876	41.68	35	148	30	5741	41.01
Dist. of Col.	204	3331	813	168334	45.03	87	455	105	19497	40.20
Florida	125	1347	158	21819	30.01	253	1716	296	43031	31.62
Georgia	154	2105	411	63413	33.55	223	1448	293	45583	33.77
Hawaii	74	918	284	57988	44.37	99	969	233	48695	45.42
Idaho	317	1058	180	33634	40.67	197	597	96	16473	37.19
Illinois	363	3320	685	119975	38.09	642	2562	507	86165	36.98
Indiana	82	858	197	31637	35.00	310	1248	275	45171	35.74
Iowa	41	439	83	14559	38.31	163	620	121	21968	39.58
Kansas	75	776	190	30734	35.25	208	946	209	38688	40.17
Kentucky	205	1228	201	31062	33.54	424	3256	579	95204	35.75
Louisiana	155	1152	209	30568	31.84	228	1915	376	62507	36.13
Maine	45	370	71	7329	22.34	141	382	55	8070	31.77
Maryland	188	1107	202	36817	39.63	402	1420	347	62238	39.05
Massachusetts	380	3955	929	189153	44.28	347	2608	627	126111	43.74
Michigan	222	1623	302	55331	39.84	514	2053	384	71300	40.37
Minnesota	147	1153	293	35681	26.51	451	2409	584	86512	35.87
Mississippi	193	1007	185	22114	25.99	98	422	70	9117	28.40
Missouri	208	1798	330	51001	33.58	449	2208	409	66762	35.46
Montana	269	1053	239	35886	32.65	178	505	128	19269	32.71
Nebraska	98	465	119	18376	33.47	65	229	54	8941	36.05
Nevada	59	422	71	13732	42.25	110	588	120	23304	42.06
New Hampshire	19	88	21	3825	40.26	67	189	37	7508	43.91
New Jersey	284	2074	396	79989	43.93	503	3455	766	146975	41.73
New Mexico	238	1334	256	38256	32.48	196	887	177	26712	32.86
New York	1342	11127	1900	357818	40.94	1608	7826	1375	288518	36.14
North Carolina	155	1370	291	37931	28.35	301	1724	378	65640	37.77
North Dakota	67	459	85	14371	36.94	174	855	139	23739	37.03
Ohio	195	1619	425	74945	38.37	924	5915	873	148693	37.01
Oklahoma	99	1438	275	35533	28.13	213	1976	352	48754	30.11
Oregon	257	1258	254	39891	34.09	375	1471	300	54231	39.35
Pennsylvania	512	5298	1121	189430	36.74	1774	11266	2228	380740	37.15
Puerto Rico	47	762	169	28889	37.18	482	5144	1085	180299	36.11
Rhode Island	67	580	135	26959	43.34	97	387	82	14950	39.76
South Carolina	82	690	139	20593	32.18	168	994	185	31185	36.73
South Dakota	54	420	90	12631	30.58	117	532	113	17359	33.32
Tennessee	532	3135	618	96421	33.89	409	3173	625	94301	32.79
Texas	266	3490	762	113784	32.47	739	5172	1226	196600	34.86
Utah	238	1513	290	51501	38.66	149	1186	233	38547	35.99
Vermont	19	88	12	2288	40.14	32	200	44	7543	37.34
Virginia	191	1322	246	38874	34.40	260	1509	275	43779	34.64
Virgin Islands	1	32	7	1246	36.65	2	32	8	1394	37.68
Washington	710	5993	1363	224015	35.73	1038	4551	964	166901	37.65
West Virginia	63	460	74	7762	22.76	462	2988	557	78250	30.53
Wisconsin	207	1761	385	74639	42.12	361	1934	380	67236	38.46
Wyoming	51	259	59	10837	39.99	68	173	33	6084	39.51

1/ The programs for Federal civilian employees (UCFE) and for ex-servicemen (UCX), established under Title XV of the Social Security Act, became effective January 1, 1955 and October 27, 1958, respectively. Data exclude information on claims filed jointly with State unemployment insurance programs.

2/ Includes transitional claims.

3/ Unadjusted for voided benefit checks and transfers under interstate combined-wage plan. UCFE includes $81,463 in payments under extended duration provisions of State laws in California. UCX includes $41,993 in payments under extended duration provisions of State laws in California.

4/ Includes data for total, part-total, and partial unemployment. Separate data for total unemployment are not available.

The President's Economic Report to Congress

President Johnson, in his Economic Report to the Congress, transmitted on January 27, 1966, reviewed the continuing economic progress attained in all sections of our society and envisioned again for 1966 the "American economic miracle" as today's challenges are met in a sound and responsible manner.

Following are portions of the report of interest to those concerned with the employment security program.

THE PRINCIPLES OF ECONOMIC POLICY

In a time of high prosperity, economic policy faces new problems. But it is still guided by the basic principles that have served us so well.

Twenty years ago next month, the Employment Act of 1946—which prescribes this Report—became law. The principles of our policy emerge from that Act and from our two decades of experience under it.

The essential and revolutionary declaration of the Employment Act was that the Federal Government must accept a share of responsibility for the performance of the American economy. The nature of that share has been more and more clearly defined over the years, by the recommendations of four Presidents and the enactments of 10 Congresses.

I see these as the main tasks of Federal economic policy today:

1. To attain full employment without inflation; to use fiscal and monetary policies to help to match total demand to our growing productive potential, while helping to speed the growth of that potential through education, research and development, manpower policies, and enlarged private and public investment;

2. To help to open the doors of opportunity to all, through developing human resources and removing barriers of discrimination, ignorance, and ill health;

3. To help to solve social and economic problems that neither private action nor State and local governments can solve alone—an efficient transportation system, the protection of our environment, the health of our agriculture, the reconstruction of our cities;

4. To achieve and maintain equilibrium in the Nation's external payments, and to press for improvements in the international economic order;

5. To maintain and enhance healthy competition;

6. To achieve national purposes as far as possible by enlisting the voluntary cooperation of business, labor, and other groups.

Recognition of these responsibilities of the Federal Government neither lessens the responsibilities nor impairs the freedoms of individuals and private groups; nor does it challenge the authority of State and local governments.

The tasks involve new and growing problems of an increasingly complex and interdependent economy and society. Only the Federal Government can assume these tasks. But the Federal Government by itself cannot create prosperity, reduce unemployment, avoid inflation, balance our external accounts, restore our cities, strengthen agriculture, eliminate poverty, or make people healthy.

Only through a creative and cooperative partnership of all private interests and all levels of government—a creative federalism—can our economic and social objectives be attained. This partnership has written the story of American success. And a new vitalization of this partnership and a new confidence in its effectiveness have produced the extraordinary economic and social gains of recent years.

OUR ECONOMIC GAINS

Our economy is so vast, and our progress has been so rapid, that it is difficult to keep our gains in proper perspective. Here are a few examples:

- In only seven other countries of the world is *total* output in a year as large as the *increase* in our output last year.
- Our stock of private plant and equipment, valued in constant prices, *increased* as much in 1965 alone as it did in the 4 years 1957 through 1960.
- The *increase* in Federal cash receipts between fiscal years 1961 and 1967—in spite of $20 billion of tax cuts—will exceed the entire cash receipts of the Federal Government in any peacetime fiscal year prior to 1951.

Jobs, Incomes, and Production

The register of our economic gains during 1965 starts with jobs:

—2.4 million more, over all;
—1.0 million more for teenagers;
—350,000 more for Negroes;
—900,000 more for women;
—1.2 million more for blue-collar workers;
—900,000 more on manufacturing payrolls;
—450,000 more on State and local government payrolls;
—1.0 million more in trade and services.

It continues with pay:

—average hourly earnings up 3 percent in manufacturing, 4½ percent in retail trade;
—average weekly earnings up 3½ percent in manufacturing, 3⅓ percent in trade.

Other forms of income rose, too:

—farm proprietors' average income up 22 percent;
—average income of owners of unincorporated businesses and professional workers up 7½ percent;
—total dividends paid up 12 percent.

And corporations prospered, with

—profits before taxes up 15 percent;
—profits after taxes up 20 percent;
—corporate retained earnings up 29 percent.

With more people earning, and earning more,

—total personal incomes rose $39 billion, or 7½ percent;
—aggregate consumers' incomes after taxes rose $34 billion, also 7½ percent.

Governmental units benefited from the surge of incomes.

- Federal cash receipts rose $8½ billion.
- State and local governments took in $4⅓ billion more, reducing the need for tax rate increases to meet their expanding burdens.

The higher incomes of individuals, businesses, and governments came from expanding production (year 1965 over year 1964):

Production of goods and services for consumers	up $29½ billion
Production of new plants and machinery	up $9½ billion
Production for use of the Federal Government	up $1½ billion
Production for use of State and local governments	up $5 billion
Production for additions to inventories	up $2½ billion
Residential construction	no change
Production for export (less imports)	down $1½ billion
Total production (GNP)	up $47 billion

We could produce $47 billion of additional output last year because:

- We had a large net addition of 1.4 million to our labor force;
- We put to work this entire net increment plus about 400,000 who were previously unemployed;
- On the average, each employed person worked a few more hours during the year; and
- Each man-hour worked in the private economy produced on the average 2.8 percent more output than in 1964.

Increased employment and higher productivity were possible because business investment had provided a substantial expansion of plant capacity; because the new and the previously existing capacity were used more fully than in the year before; and because our labor force was better educated and more skilled than ever before. Our efforts to equip the unskilled and inexperienced to take advantage of rapidly expanding job opportunities have been—and will continue to be—an investment in our productive capacity.

The enlarged market demands which called forth this higher output came from every sector. The two dominant forces, however, were the growing boom in business spending for new plant and equipment and the continued dependability of consumer spending, following close on consumer income. Excise tax cuts and larger social security benefits in 1965 helped to swell the income and buying of households. The tax cuts provided by the Revenue Act of 1964 were sustaining private demand all year. By year's end they had added $30 billion to GNP.

Gains for the Disadvantaged

The disadvantaged and less fortunate members of our society also shared in our 1965 economic gains.

- For the poor who were able to earn, there were lower unemployment, fuller work schedules, and higher pay.
- For the poor who were capable of earning more, there were job training and help in finding jobs, improvements in education, and the breaking down of barriers of discrimination.
- For the poor who could not earn, there were more adequate social security benefits, new medical programs, and better social services.
- For the poor too young to earn, there were more effective education, assistance to enable them to stay in school, and better health services.

Between 1964 and 1965, an estimated 2.2 million persons moved above the poverty line. Millions of others, mostly children and young people, will have a better chance to break out of poverty in the years ahead as a result of the help they will receive from new Federal education, health, and anti-poverty programs enacted in 1964 and 1965.

But 32 million Americans remain in poverty, and millions more are unable to realize their full economic potential. America's abundance leaves behind too many who are aged, who are stranded in declining rural areas, who are in broken families, who are uneducated or handicapped or victims of discrimination. Unemployment among Negroes remains twice that of whites. And an unemployment rate of 13 percent among teenagers means that too many youths find disappointment in moving from school into jobs.

The war on poverty, ignorance, ill health, discrimination, and inadequate opportunity must go forward.

ECONOMIC OUTLOOK FOR 1966

Demand will continue to grow rapidly in 1966 and production will respond. The vigor of *investment spending* demonstrates strong business confidence in the growing sales, rising profits, and firm operating rates which spur expansion and modernization. The rising *defense needs* of the Federal Government are an important new force in the economy. With growing support from Federal grant programs, *State and local purchases* will keep moving ahead. Rising consumer incomes from wages, dividends, interest, professional work, and farming will again largely be devoted to *expenditures for better living.*

These forces should add very nearly as much to our GNP in 1966 as the record gain of $47 billion last year. As the midpoint of a $10 billion range, $722 billion is the projected level of GNP in 1966. With that output, we foresee

—an extra $40 billion of spending and production for civilian needs, both private and public;
—unemployment shrinking below 4 percent, and below any yearly average rate since 1953;
—great advances in the productive capacity of our industries;
—further good gains in productivity; and
—full use, without overuse or strain, of our productive capacity.

LABOR AND MANAGEMENT

Unemployment Insurance

Our system of Unemployment Insurance has not kept pace with our advancing economy. The time to modernize it is now, when unemployment is low and the cost of improved protection can be readily absorbed. We need a program that will provide more realistic benefits, including benefits for more workers and for longer periods of joblessness; that will correct abuses and assure efficient and responsible administration; and that will broaden the system's tax base and strengthen its financing. I urge the Congress to enact such a program.

Fair Labor Standards

Millions of workers at the bottom of our wage scale still lack the protection of Federal minimum standards. At the same time, we need to reinforce this protection by raising the minimum wage.

I recommend the extension of the Fair Labor Standards Act to large numbers of additional workers. In enacting higher minimum wage levels, the Congress should consider carefully their effects on substandard incomes, on cost and price stability, and on the availability of job opportunities for marginal workers.

CONCLUSION

A few years ago, much was heard of the "European economic miracle." Today, across the Atlantic and around the world one hears once again of the "American economic miracle."

For the American economy, in the past 5 years, has demonstrated anew the confident vitality, the internal dynamism, and the enormous productivity which had long been its hallmark. We had settled for a while on what seemed a plateau of affluence; now, once again, there has been the strong thrust of progress—but a newly steady and balanced progress.

We have again shown the world what free men and a free economy can achieve. The peoples struggling toward economic development see with renewed interest that free markets and free economic choices can be a mighty engine of progress.

Moreover, there is new respect in the world for an America concerned with using its abundance to enhance the quality of human life: for a people

—who undertake a war on poverty along with the defense of freedom;
—who seek to restore their cities to greatness and to conserve the beauties of their landscape;
—who are determined to break down a centuries-old barrier of prejudice and injustice;
—who are resolved to lift the quality of education at every level;
—who are determined to promote and reward excellence in every endeavor;
—who have provided new health services and better social security for their older citizens;
—who offer to share their abundance and technical skills with a needy world.

The new vigor and progress of America can be a source of satisfaction. Yet we cannot rest on past accomplishments. Continuing problems challenge our determination and our resourcefulness.

. . . . . .

I am confident that the overwhelming majority of private decisions in 1966 will be sound and responsible—just as I am determined that public decisions will be fully responsible.

If they are, the American economic miracle will remain in 1966 the single most important force in the economic progress of mankind.

NEW COMPARISON OF STATE UI LAWS

On February 2, 1966, Secretary of Labor W. Willard Wirtz announced the issuance of a new comparison of State unemployment insurance laws.

"This analysis of State unemployment insurance laws," said the Secretary, "will help the public gain a better understanding of the program and how unemployment insurance functions as part of the Nation's comprehensive system of social insurance."

The publication reports on State legislative changes in unemployment insurance laws during 1965, and includes information on methods of financing State unemployment insurance programs, the benefits payable, the conditions to be met for payment, and the administrative system established to operate the program.

"The Comparison of State Unemployment Insurance Laws," *Secretary Wirtz said, "has been published periodically since 1937. It is frequently revised to provide a factual, easily accessible source of current unemployment insurance data. Plans call for the reference manual to be updated semiannually during heavy legislative years, and annually in light legislative years."*

A number of major innovations in the compilation have been made. They include a looseleaf format for updating legislative changes; separate tables of contents preceding each chapter; and the grouping of tabular material at the end of the chapter to which it relates. A detailed keyword index provides cross referencing for the entire publication.

These innovations in the new issue of the Comparison *are intended to fulfill the twofold objective of providing a reference source containing current data within a format which offers researchers the means to obtain rapid access to required information.*

U.S. GOVERNMENT PRINTING OFFICE: 1966 O—212-379

Comparison of State Unemployment Insurance Laws, issued January 1, 1966, summarizes and compares significant provisions of unemployment insurance laws of the 50 States, District of Columbia, and Puerto Rico. A _new looseleaf_ format permits outdated pages to be removed easily and replaced by pages with current data.

Gives information on employer and employee coverage, financing methods, benefit payments, eligibility requirements, and administrative organization. Incudes rules, regulations, opinions of attorneys general, or court decisions that implement State statutes, with notes indicating their source.

Provides factual information, by State, in 37 tabulations.

Compares the laws of four States which provide benefits for unemployment due to nonoccupational disability.

Includes brief description of unemployment insurance programs for Federal civilian employees and ex-servicemen and Federal training allowances and readjustment programs administered by State employment security agencies.

Comparison of State Unemployment Insurance Laws, issued January 1, 1966, (BES No. U–141), distributed free to State agencies, is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402. Price $1.50 per copy.

(Check or money order should be made payable to the Superintendent of Documents.)

UNITED STATES
GOVERNMENT PRINTING OFFICE
DIVISION OF PUBLIC DOCUMENTS
WASHINGTON, D.C. 20402

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PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE $300
(GPO)

The *Unemployment Insurance Review* is published by the Unemployment Insurance Service of the Bureau of Employment Security with the cooperation of the State employment security agencies and is distributed without charge to personnel of the national and State employment security offices. It is also available on subscription at $3 a year (single copies 30 cents) from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402. In countries other than the United States, Canada, and Mexico, annual subscription is $4.

Subscribers should remit directly to the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402.

Communications regarding editorial matters should be addressed to *Unemployment Insurance Review*, Unemployment Insurance Service, Bureau of Employment Security, U.S. Department of Labor, Washington, D.C., 20210.

Opinions of authors not connected with the Bureau of Employment Security are their own and do not necessarily reflect the views of the *Unemployment Insurance Review* or of the Bureau of Employment Security.

Use of funds for printing this publication approved by the Director of the Bureau of the Budget, January 10, 1964.